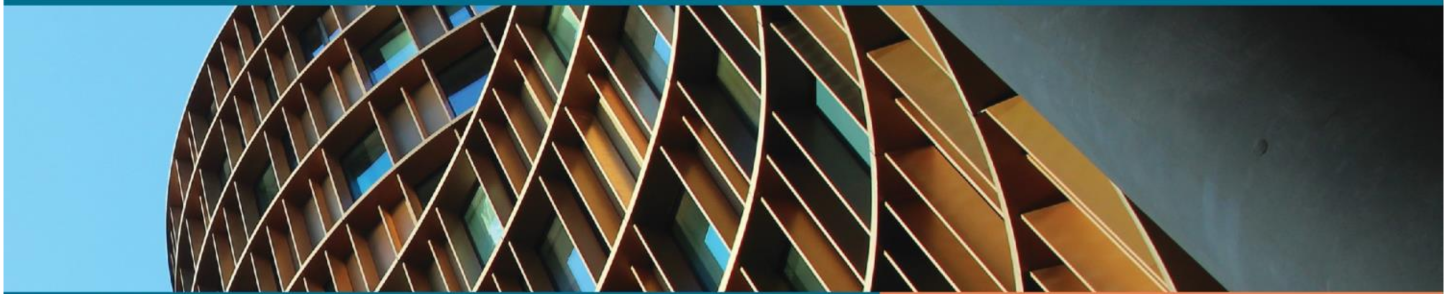
EXHIBIT A

BBG
REAL ESTATE SERVICES

APPRAISAL REPORT



The insight you need. The independence you trust.

Shelter

85 Flatbush Avenue Ext.
Brooklyn, New York 11201

BBG File #0122015461

Prepared For

Mr. Fred Ringel Esq.
Leech Tishman Robinson Brog, PLLC
875 Third Avenue, 9th Floor
New York, NY 10022

Report Date

June 22, 2022

Prepared By

BBG, Inc., New York Office
112 Madison Avenue
New York, NY 10016
212-682-0400

Client Manager: Jon DiPietra, MAI
jdipietra@bbgres.com

BBG
REAL ESTATE SERVICES

June 22, 2022

Mr. Fred Ringel Esq.
Leech Tishman Robinson Brog, PLLC
875 Third Avenue, 9th Floor
New York, NY 10022

Re: Retrospective Appraisal of Real Property
Shelter
85 Flatbush Avenue Ext.
Brooklyn, New York 11201
BBG File #0122015461

Dear Mr. Ringel, Esq.:

In accordance with your authorization (per the engagement letter found in the addenda of this report), we have prepared a Retrospective Appraisal of the above-referenced property.

The subject property is comprised of a 150,688± square foot mixed-used hotel, multifamily, and commercial condominium operating as a homeless shelter without a long-term lease. The building contains a total of 12 stories. According to the Condominium Declaration, the Hotel Unit comprises floors 1 through 6 and the Residential Unit comprises floors 7 through 12. The Commercial Condominium Unit is a portion of the first floor and part of a previous retail restaurant space. The three condo units represent the total structure that is economically vacant. There are ongoing lease negotiations for the Department of Homeless Services (DHS) to lease 100% of the property and utilize a total of 238 units and common areas for their operations. The 238 units account for the 174 hotel units and 64 apartment units. Prior to the homeless shelter, the subject was operating as the Tillary Hotel and 60 Duffield Apartment Building.

The subject property is located on the northeast corner of Flatbush Avenue Extension and Tillary Street in the Downtown Brooklyn section of the borough of Brooklyn, Kings County, city and state of New York. The subject property consists of three condominium units on a 19,135± square foot lot. They are identified on the New York City tax maps as Block 120, Lots 1201, 1202, & 1203.

This appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the appraisal guidelines set forth in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), and the December 2010 Interagency Appraisal and Evaluation Guidelines. This report has been written in accordance with the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute. In addition, this report is intended to be in compliance with additional requirements of Leech Tishman Robinson Brog, PLLC (client). The intended user is Leech Tishman Robinson Brog PLLC and its related entities, successors, and/or assigns. The report is intended to be used as expert witness testimony in a bankruptcy filing. No other party may rely upon the findings in this report.

The global outbreak of a "novel coronavirus" known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO) on March 11, 2020, with the President of the United States declaring the COVID-19 outbreak a national emergency on March 13.

The impact of the virus has created near-term instability in the capital and real estate markets. It is currently unknown what direct, or indirect, effect, if any, this event may have on the national economy, the local economy and the market in which the subject property is located. As such, the associated risk may not yet be priced into the real estate market. The reader should note the data and comparables used in this report are data points that occurred in the past and there is projection risk associated with using lagging indicators. The opinion of value is as of a specific point in time and the value may change.

Given the current uncertainty in the market, we caution the users of this appraisal that the value conclusion reported herein may have a lesser degree of reliability than it would under more normal market conditions.

EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)	
The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards Rule 2-2(a)(xi), it is stated here that the use of any extraordinary assumptions might have affected the assignment results.	
Extraordinary Assumption(s)	This appraisal employs no extraordinary assumptions.
Hypothetical Condition(s)	This appraisal employs no hypothetical conditions.

Based on our inspection of the property and the investigation and the analysis undertaken, we have concluded the following value opinion(s).

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value - As Is	Fee Simple	February 16, 2022	$72,000,000

This letter must remain attached to the report, which should be transmitted in its entirety, in order for the value opinion set forth to be considered valid.

Our firm appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Sincerely,
BBG, Inc.

Jon DiPietra, MAI
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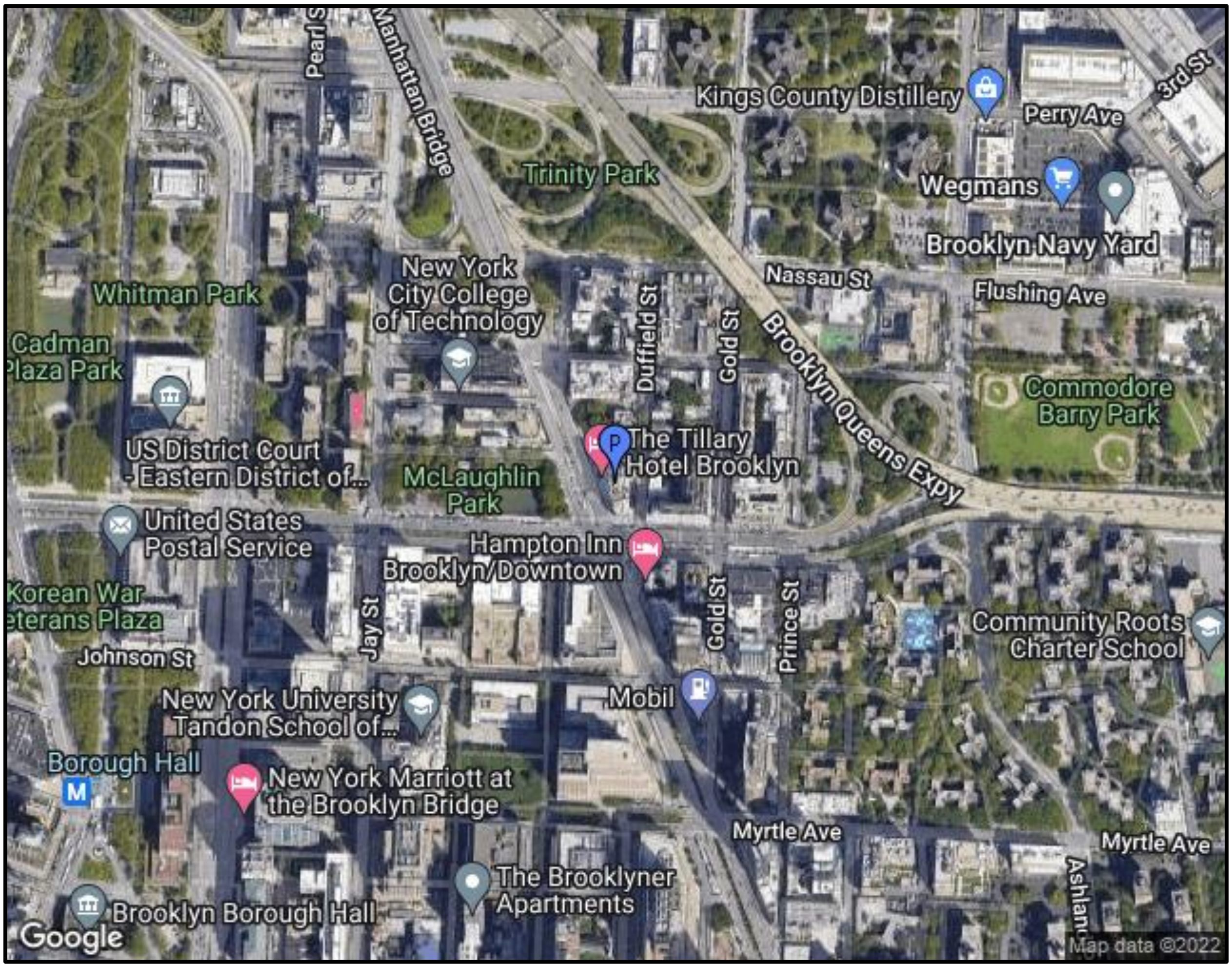
TABLE OF CONTENTS

SUBJECT PROPERTY

AERIAL PHOTOGRAPH



SUMMARY OF SALIENT FACTS

PROPERTY DATA	
Address	85 Flatbush Avenue Ext. Brooklyn, New York 11201
Property Description	Special (Shelter)
County	Kings
Parcel Number	3001207503
Census Tract No.	0015.01
Legal Description	Block 120, Lot 1201 Block 120, Lot 1202 Block 120, Lot 1203
Site Area	
Primary Site	19,135 square feet (0.4393 acres)
Zoning	C6-2; Commercial
Flood Status	Zone X (unshaded) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.
Year Built	2013
Type of Construction	Steel and masonry
Number of Buildings	1
Gross Building Area	150,688 square feet
Lot 1201 - Commercial	*6,759 square feet*
Lot 1202 - Hotel	*83,800 square feet*
Lot 1203 - Residential	*60,129 square feet*
Total Number of Units	238
Economic Occupancy	0.0%
Overall Condition	Good
Overall Quality	Good
Overall Design/Functionality	Good

FINANCIAL INDICATORS AND PRO FORMA OPERATING DATA		
Financial Indicators		
Current Occupancy		100%
Stabilized Occupancy		98.0%
Overall Capitalization Rate		6.50%
Pro Forma Operating Data	**Total**	**Per SF**
Effective Gross Income	$10,641,575	$70.62
Operating Expenses	$3,020,188	$20.04
Expense Ratio	28%	
Net Operating Income	$7,621,387	$50.58

VALUATION SUMMARY

VALUE INDICATIONS			
As Is as of February 16, 2022			
Cost Approach	Not Developed		
Sales Comparison Approach	$72,000,000	$477.81	Per square foot of GBA
Income Capitalization Approach			
Direct Capitalization	$72,000,000	$477.81	Per square foot of GBA
Approach Reliance	**Direct Capitalization**		
Value Conclusion - As Is	**$72,000,000**	**$477.81**	**Per square foot of GBA**
Insurable Value	$36,000,000		
Exposure Time	12 months		
Marketing Time	12 months		

COMPETENCY

We have experience appraising similar properties and possess the knowledge and competency to produce a credible value opinion. Jon DiPietra, MAI, Scott Silverman, MAI, and Jonathan Herder have experience appraising similar properties and assignments, while possessing the knowledge and competency to produce credible value opinion. Jon DiPietra, MAI, Scott Silverman, MAI, and Jonathan Herder are actively engaged in appraisal work in the geographical area of the subject property, and BBG maintains a database of comparable properties for this area. Further, Jon DiPietra, MAI, Scott Silverman, MAI, and Jonathan Herder are versed in the analytical methods typically employed in appraising this property type. In summary, the appraisers collectively possess adequate knowledge of the property type, geographical location and analytical methods necessary to comply with the competency requirements of USPAP for this appraisal assignment.

PROPERTY HISTORY

The subject property is currently vested in the name of 85 FLATBUSH RHO RESIDENTIAL LLC and 85 FLATBUSH RHO HOTEL LLC. The subject is a mixed-use condominium with a commercial, hotel, and residential condo unit. The entire building was sold as part of a portfolio sale encompassing all three condo units for a total consideration of $90,000,0000 September 2019. The subject is currently operating as a homeless shelter with negotiations taking place for the Department of Homeless Services (DHS) to lease 100% of the building. The DHS began short-term operations in October 2021 where the homeless shelter only operated out of the 174 units associated with the hotel portion of the subject. According to the drafted lease agreement that is under negotiation, the lease includes the 64 additional multifamily units to be occupied by the DHS for five years. The lease is projected to be structured with gross terms. The lease will be analyzed against the current market for homeless shelters, and the subject will be analyzed as 100% economically vacant as the lease is under negotiation and remains unsigned.

To the best of our knowledge the property has not otherwise been traded in the previous three years, it is not currently under contract of sale, and is not actively marketed for sale or lease.

The recent sale and lease abstract for the tenant is outlined on the following page:

PROPERTY HISTORY	
Recent Transaction	
Sale Date	October 4, 2019
Deed Book/Page	2019000323023
Sale Price	$44,000,000
per SF GBA	$291.99
Grantor	85 FLATBUSH OWNER LLC
Grantee	85 FLATBUSH RHO HOTEL LLC
Comments	Portfolio Sale (Lots 1201 & 1202)
Recent Transaction	
Deed Book/Page	2019000323022
Sale Price	$46,000,000
per SF NRA	$305.27
Grantor	85 FLATBUSH APARTMENTS OWNER LLC
Grantee	85 FLATBUSH RHO RESIDENTIAL LLC
Comments	Portfolio Sale (Lot 1203)
Total Portfolio Sale Price	**$90,000,000**
per SF NRA	$597.26

SCOPE OF WORK

APPRAISAL INFORMATION	
Client	Leech Tishman Robinson Brog, PLLC 875 Third Avenue, 9th Floor, New York, NY 10022
Intended User(s)	Leech Tishman Robinson Brog PLLC and its related entities, successors, and/or assigns
Intended Use	Report used as expert witness testimony in a bankruptcy filing.
Property Rights Appraised / Premise	•Market Value of the Fee Simple interest in the subject property, As Is as of February 16, 2022
Date of Inspection	February 16, 2022
Marketing Time	12 months
Exposure Time	12 months
Highest and Best Use	
If Vacant	Commercial, residential or community facility development
As Improved	As currently developed

SCOPE OF THE INVESTIGATION

General and Market Data Analyzed

- Regional economic data and trends
- Market analysis data specific to the subject property type
- Published survey data
- Neighborhood demographic data
- Comparable cost, sale, rental, expense, and capitalization rate data
- Floodplain status
- Zoning information
- Assessor's information
- Interviewed professionals knowledgeable about the subject's property type and market

Inspection Details

Jonathan Herder inspected the interior and exterior of the property on February 16, 2022.

Property Specific Data Requested and Received

PROPERTY DATA RECEIVED
Current year operating statement
Lease
Proforma

Data Sources

DATA SOURCES	
Leases	Property Contact
Comparable Improved Sales	CoStar
Comparable Improved Leases	CoStar, Internal Database
Demographics Reports	Spotlight
Flood Status	FEMA
Zoning Information	Planning Dept
Tax Data	Assessor's Records
Building Size	Assessor's Records
Site Size	Assessor's Records

VALUATION METHODOLOGY

Most Probable Purchaser

To apply the most relevant valuation methods and data, the appraiser must first determine the most probable purchaser of the subject property.

	The most probable purchaser of the subject property "As Is" is an investor because it is projected to be leased to a third-party tenant.
Valuation Methods Utilized	This appraisal employs the Income Capitalization Approach and the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach to develop an opinion of market value.

EXTRAORDINARY ASSUMPTION(S) AND HYPOTHETICAL CONDITION(S)

The values presented within this appraisal report are subject to the extraordinary assumptions and hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice Standards Rule 2-2(a)(xi), it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

Extraordinary Assumption(s)	This appraisal employs no extraordinary assumptions.
Hypothetical Condition(s)	This appraisal employs no hypothetical conditions.

DEFINITIONS

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. [1]

LEVEL OF REPORTING DETAIL

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report.

This report is prepared as an **Appraisal Report.** An Appraisal Report must at a minimum summarize the appraiser's analysis and the rationale for the conclusions. This format is considered most similar to what was formerly known as a Self-Contained Appraisal Report in prior versions of USPAP.

[1] (Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

COVID-19 & BROADER ECONOMIC OVERVIEW

COVID-19 was first identified in the United States in early March 2020 and caused upheaval in the US economy through early 2021 when vaccines were rolled out in large scale. Since then, COVID-19 vaccines in the US have been successful in reducing death and new case rates. Recent data indicates hospitalization rates for vaccinated adults have remained low compared with hospitalizations for unvaccinated individuals. Americans are traveling once again, and mobility continues to increase as consumers are spending. However, given continued rises in the inflation rate, the consumer index has increased noticeably as they worry about future inflationary pressures. Investors have expressed worries over upward pressure on interest rates although interest rates remain well below historical levels. Strong economic growth has been experienced in 2021 and continues in the early part of 2022.

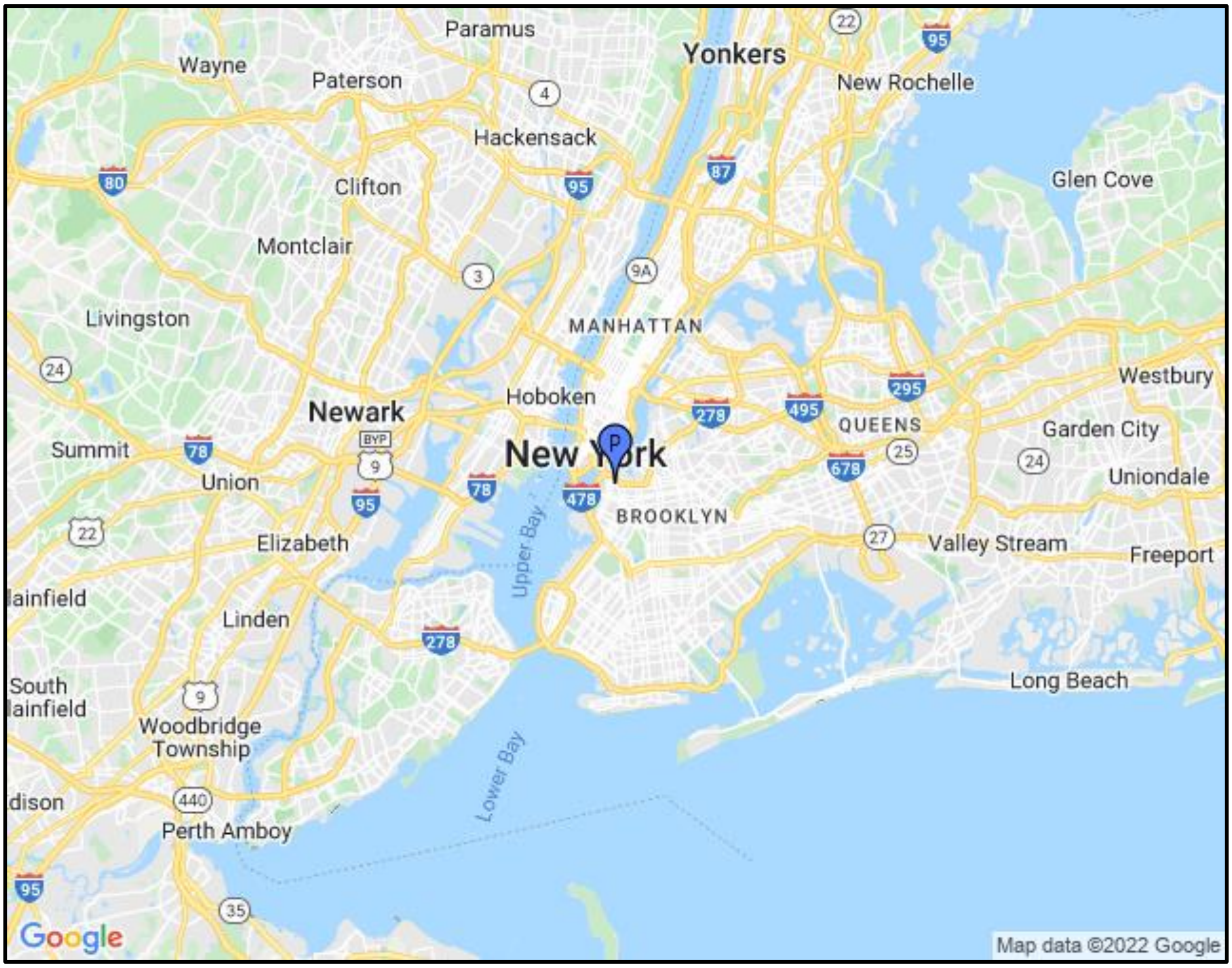
Notwithstanding the above, the recent events in Ukraine has pushed the price of oil-related products in the U.S. to all-time highs. As a result, economists and many pundits are suggesting a slowdown in GDP is likely commencing in the 2Q-2022 and beyond, with a national recession looming if the near-term forecasts come to pass. Real estate activity prior to, during, and now has remained extremely robust. However, recent concerns have surfaced over the negative impact of the foregoing events in many real estate sectors. The medium and long-term outlook by investors may result in a more cautious approach to investing due to the foregoing impacts on the broader economy of inflation, however a slowing of investment pace has yet to occur.

In late 2021, the Federal Reserve initially suggested modest increases in interest rates during 2022 and possibly beyond. However, as inflation forecasts moved from transitory to permanent and became more robust in recent months, the FED forecast a possible greater number of rate increases during 2022 and possibly beyond. Most recently, The FED announced planned rate increases commencing in the Q2-2022 and during the year to curtail inflationary trending. The number of rate increases and the magnitude of each remains unknown, as well as the impact on commercial real estate. The FED is in a precarious spot because if they raise rates too fast this may cause a recession and if they limit these rate increases, it likely will not reduce inflationary pressures.

As we monitor the real estate markets and the impact of COVID-19 and the Variants to date, it appears that the pandemic is now largely in the rear-view mirror. Lockdown states have moved toward unmasking and other steps to open their states and allow for a more robust economy to continue. Going forward, we will attempt to address key indicators within the appropriate sections of our reports as necessary, mindful of the foregoing elements impacting CRE. As always, we will remain vigilant in monitoring the national, state, and local economies as they relate to commercial real estate and the subject property. Should conditions change and elements impacting the markets and subject property become clearer, such that a full analysis may be warranted, we may have to adjust our conclusions and forecasts.

MARKET ANALYSIS

REGIONAL MAP



NEW YORK MULTI-FAMILY MARKET

Costar is the source for the following data. The data reflects conditions of 2021 Q4, the most recent data available. The initial discussion provides information on the overall New York Multi-Family market, followed by the subject's submarket. The subject is located within the Northwestern Queens submarket, which will be discussed later in this report.

CoStar's 2020Q4 Base Case forecast is based on the Oxford Economics Baseline scenario published in December 2020. This scenario anticipates an incomplete "V-shaped recovery," consistent with a partial recovery in economic activity boosted by continued fiscal stimulus, with moderate COVID-related restrictions remaining in place until widespread uptake of effective vaccines occurs. After losing on net roughly 9.4 million jobs in 2020, about 5 million jobs are added in 2021, with some weakness in the first quarter and a more robust rebound in the second half of the year. Employment returns to the pre-COVID peak by the end of 2023, recovering all jobs lost in the wake of the lockdown. Thereafter, job growth slows gradually to about 0.4% per year in 2025. Capital markets remain calm as spreads settle near 200 basis points through the end of the forecast period.

Costar rates multi-family properties using a star rating, in which 1 and 2-star properties generally equate to the more traditional Class C rating; 3-star properties generally equate to Class B; and 4 and 5-star properties generally equate to Class A.

Class A – They are characterized by high quality construction and finishes, high occupancy levels, sophisticated amenities, and top rental rates. A+ properties would suggest "trophy" properties with the characteristics noted above.

Class B – These apartment properties are regarded as modern (although not necessarily new) buildings, or old (i.e., Class C) structures recently renovated to modern standards. Good locations, reasonably high occupancy levels, and competitive rental rates characterize these buildings.

Class C – The lowest quality apartments available in the market are found in Class C buildings. These buildings are generally old, but in fair condition. Rental rates are the lowest within the market and amenities are minimal.

KEY INDICATORS *AT A GLANCE*

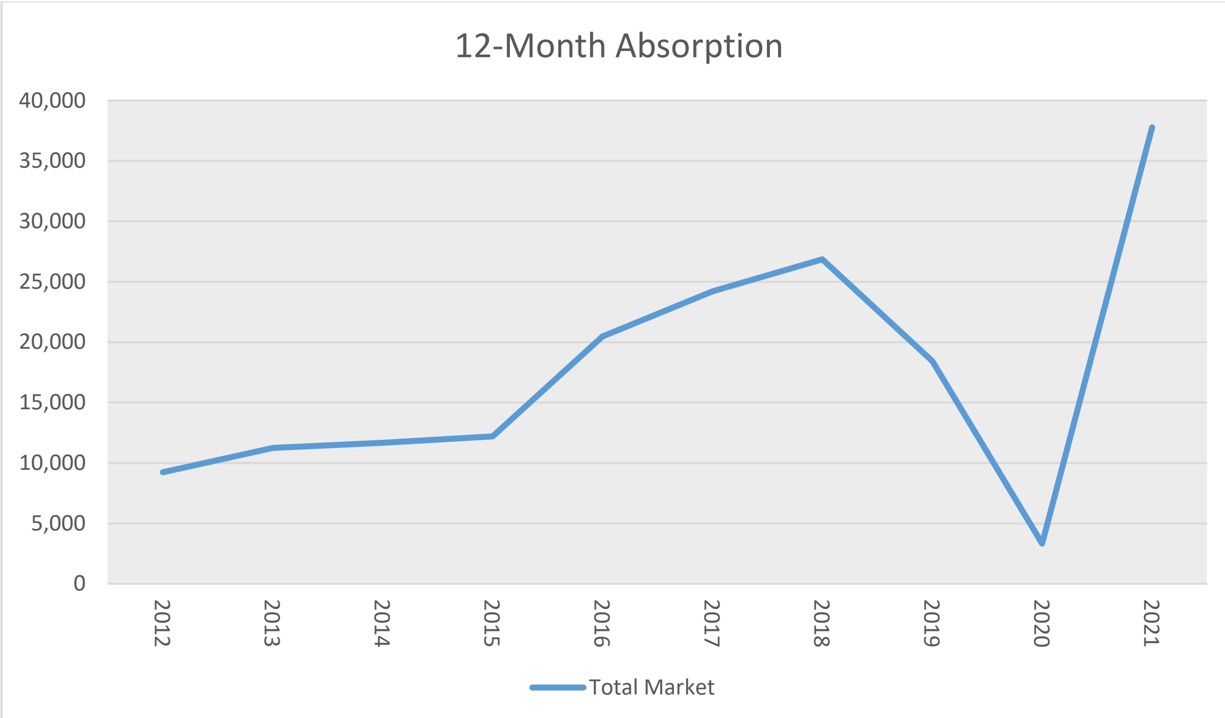
	PRIOR QUARTER	CURRENT QUARTER	COMPARISON
Vacancy (%)	2.41%	2.34%	decreased 7 Basis Points
Absorption (Units)	10,794	7,032	decreased 3,762 Units
Quoted Rental Rates ($/Unit/Month)	$2,832	$2,860	increased $27 Per Unit
Inventory (Units)	1,436,318	1,442,502	increased 6,184 Units
Net Deliveries (Units)	4,189	6,184	increased 1,995 Units
Under Construction (Units)	58,832	54,918	decreased 3,914 Units

NEW YORK MULTI-FAMILY MARKET STATISTICS

PERIOD	EXISTING INVENTORY (UNITS)	VACANCY %	NET ABSORPTION (UNITS)	NET COMPLETIONS (UNITS)	UNDER CONST. (UNITS)	QUOTED RATES ($/UNIT/MONTH)
2021 Q4	1,442,502	2.34%	7,032	6,184	54,918	$2,860
2021 Q3	1,436,318	2.41%	10,794	4,189	58,832	$2,832
2021 Q2	1,432,129	2.87%	10,964	6,251	58,238	$2,789
2021 Q1	1,425,878	3.21%	8,994	3,087	60,214	$2,731
2021	1,442,502	2.34%	37,784	19,711	54,918	$2,860
2020	1,422,791	3.63%	3,325	15,240	58,868	$2,704
2019	1,407,551	2.82%	18,434	19,958	52,930	$2,757
2018	1,387,593	2.74%	26,864	22,215	47,347	$2,726
2017	1,365,378	3.11%	24,201	27,595	47,256	$2,684
2016	1,337,780	2.92%	20,466	15,707	54,517	$2,648
2015	1,322,070	3.31%	12,203	14,577	52,855	$2,602
2014	1,307,493	3.16%	11,674	11,342	39,962	$2,520
2013	1,296,151	3.21%	11,245	9,497	25,644	$2,455

The New York Multi-Family market ended the fourth quarter with a vacancy rate of 2.34%. The vacancy rate decreased over the previous quarter, with net absorption totaling 7,032 units in the fourth quarter. Rental rates increased compared to the previous quarter, ending fourth quarter at $2,860. A total of 6,184 units was delivered to the market, with 54,918 units still under construction at the end of the quarter.

ABSORPTION



Net absorption for the overall New York Multi-Family market was 7,032 units in the fourth quarter 2021. That compares to 10,794 units in the third quarter 2021, 10,964 units in the second quarter 2021, and 8,994 units in the first quarter 2021. Net absorption in the market over the prior 12 months totaled 37,784 units.

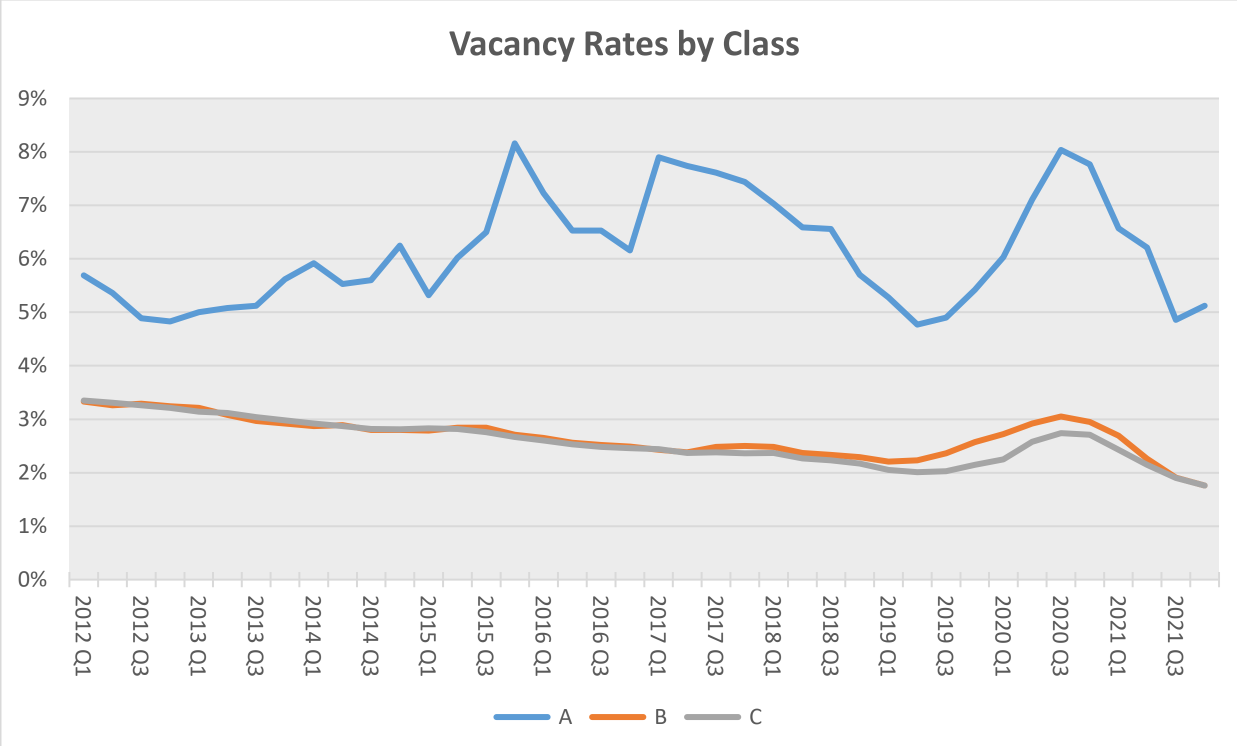
The Class A (4 & 5 Star) Multi-Family market recorded net absorption of 4,265 units in the fourth quarter 2021, compared to 6,726 units in the third quarter 2021, 6,009 units in the second quarter 2021, and 4,526 units in the first quarter 2021.

The Class B (3 Star) Multi-Family market recorded net absorption of 1,833 units in the fourth quarter 2021, compared to 2,434 units in the third quarter 2021, 3,030 units in the second quarter 2021, and 2,593 units in the first quarter 2021.

The Class C (1 & 2 Star) Multi-Family market recorded net absorption of 933 units in the fourth quarter 2021, compared to 1,633 units in the third quarter 2021, 1,924 units in the second quarter 2021, and 1,875 units in the first quarter 2021.

Net absorption for the Northwestern Queens submarket was 301 units in the fourth quarter 2021. That compares to 229 units in the third quarter 2021, 195 units in the second quarter 2021, and 99 units in the first quarter 2021.

VACANCY



Vacancy for the overall New York Multi-Family market decreased to 2.34% in the fourth quarter 2021. That compares to 2.41% in the third quarter 2021, 2.87% in the second quarter 2021, and 3.21% in the first quarter 2021.

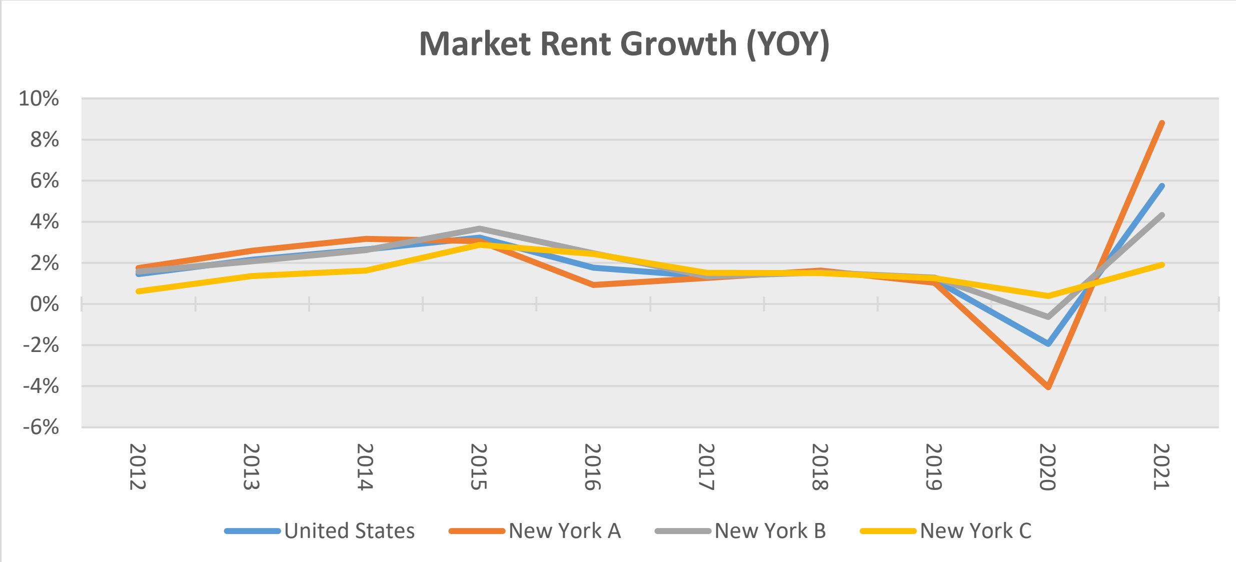
Class A (4 & 5 Star) projects reported a vacancy rate of 5.12% at the end of the fourth quarter 2021, 4.86% at the end of the third quarter 2021, 6.21% at the end of the second quarter 2021, and 6.57% at the end of the first quarter 2021.

Class B (3 Star) projects reported a vacancy rate of 1.76% at the end of the fourth quarter 2021, 1.91% at the end of the third quarter 2021, 2.26% at the end of the second quarter 2021, and 2.69% at the end of the first quarter 2021.

Class C (1 & 2 Star) projects reported a vacancy rate of 1.76% at the end of the fourth quarter 2021, 1.90% at the end of the third quarter 2021, 2.15% at the end of the second quarter 2021, and 2.43% at the end of the first quarter 2021.

The overall vacancy rate in the New York Northwestern Queens submarket at the end of the fourth quarter 2021 was 1.69%. The vacancy rate was 1.37% at the end of the third quarter 2021, 1.65% at the end of the second quarter 2021 and 1.87% at the end of the first quarter 2021.

RENTAL RATES



The average asking rental rate for available Multi-Family space, all classes, was $2,860 per unit per month at the end of the fourth quarter 2021 in the New York market area. This represented a 1.0% increase in quoted rental rates from the end of the third quarter 2021, when rents were reported at $2,832 per unit.

The average quoted rate within the Class A (4 & 5 Star) sector was $3,842 at the end of the fourth quarter 2021, while Class B (3 Star) rates stood at $2,695, and Class C (1 & 2 Star) rates at $1,963. At the end of the third quarter 2021, Class A (4 & 5 Star) rates were $3,792 per unit, Class-B (3 Star) rates were $2,673, and Class C (1 & 2 Star) rates were $1,955.

The average quoted asking rental rate in New York's Northwestern Queens district was $2,119 per unit per month at the end of the fourth quarter 2021. In the third quarter 2021, quoted rates were $2,107.

INVENTORY & CONSTRUCTION

During the fourth quarter 2021, a total of 6,184 units was completed in the New York market area. This compares to a total of 4,189 units completed in the third quarter 2021, a total of 6,251 units completed in the second quarter 2021, and 3,087 units completed in the first quarter 2021.

There were 54,918 units of Multi-Family space under construction at the end of the fourth quarter 2021.

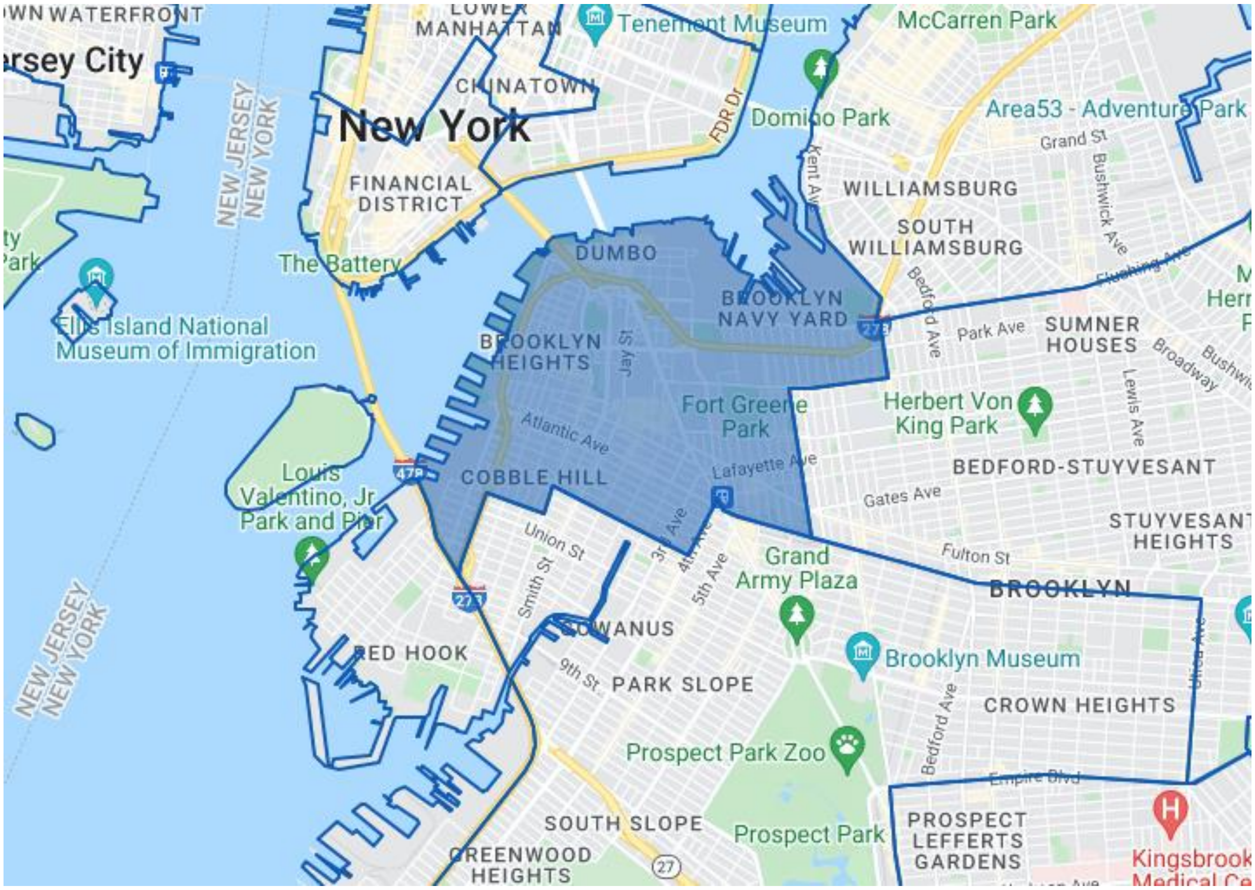
SUBTYPE	EXISTING INVENTORY (UNITS)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (UNITS)
Class A (4 & 5 Star)	249,155	16,002	42,158
Class B (3 Star)	523,719	3,752	12,533
Class C (1 & 2 Star)	669,628	-43	227
Total	**1,442,502**	**19,711**	**54,918**

MARKET OUTLOOK

The New York Multi-Family market ended the fourth quarter 2021 with an overall vacancy rate of 2.34%. The vacancy rate decreased over the previous quarter, with net absorption totaling 7,032 units in the fourth quarter 2021. Rental rates increased $27.25 per unit per month over the previous quarter and ended at $2,860 per unit per month. A total of 6,184 units was delivered in the quarter, with 54,918 units still under construction at the end of the quarter.

SUBMARKET ANALYSIS

SUBMARKET MAP



DOWNTOWN BROOKLYN MULTI-FAMILY MARKET

KEY INDICATORS *AT A GLANCE*

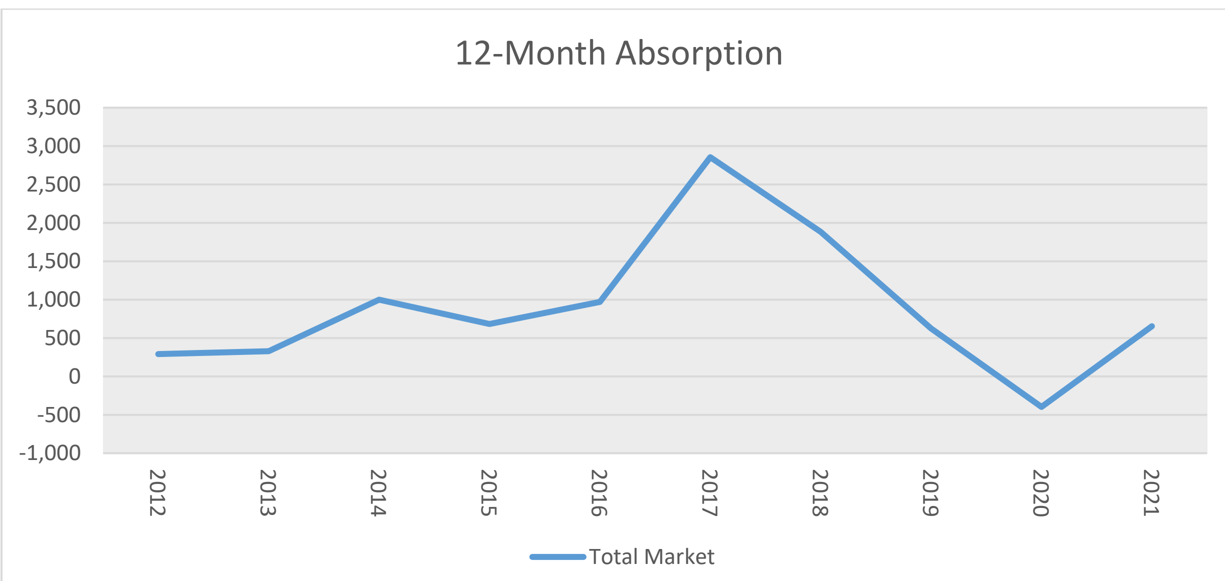
	PRIOR QUARTER	CURRENT QUARTER	COMPARISON
Vacancy (%)	2.51%	2.04%	decreased 47 Basis Points
Absorption (Units)	174	102	decreased 72 Units
Quoted Rental Rates ($/Unit/Month)	$3,856	$3,889	increased $33 Per Unit
Inventory (Units)	21,715	21,715	no change Units
Net Deliveries (Units)	49	0	decreased 49 Units
Under Construction (Units)	4,020	4,110	increased 90 Units

DOWNTOWN BROOKLYN MULTI-FAMILY MARKET STATISTICS

Period	Existing Inventory (Units)	Vacancy %	Net Absorption (Units)	Net Completions (Units)	Under Const. (Units)	Quoted Rates ($/Unit/Month)
2021 Q4	21,715	2.04%	102	0	4,110	$3,889
2021 Q3	21,715	2.51%	174	49	4,020	$3,856
2021 Q2	21,666	3.09%	191	0	4,044	$3,760
2021 Q1	21,666	3.97%	188	46	4,044	$3,608
2021	21,715	2.04%	655	95	4,110	$3,889
2020	21,620	4.64%	-397	0	4,090	$3,547
2019	21,620	2.80%	626	226	2,571	$3,747
2018	21,394	4.69%	1,881	1,757	881	$3,664
2017	19,637	5.72%	2,855	3,047	2,439	$3,582
2016	16,590	5.57%	969	689	4,823	$3,544
2015	15,901	7.57%	682	1,078	5,481	$3,498
2014	14,823	5.44%	999	1,050	4,510	$3,364
2013	13,773	5.46%	330	359	2,623	$3,255

The Downtown Brooklyn Multi-Family market ended the fourth quarter with a vacancy rate of 2.04%. The vacancy rate decreased over the previous quarter, with net absorption totaling 102 units in the fourth quarter. Rental rates increased compared to the previous quarter, ending fourth quarter at $3,889. A total of 0 units was delivered to the market, with 4,110 units still under construction at the end of the quarter.

ABSORPTION



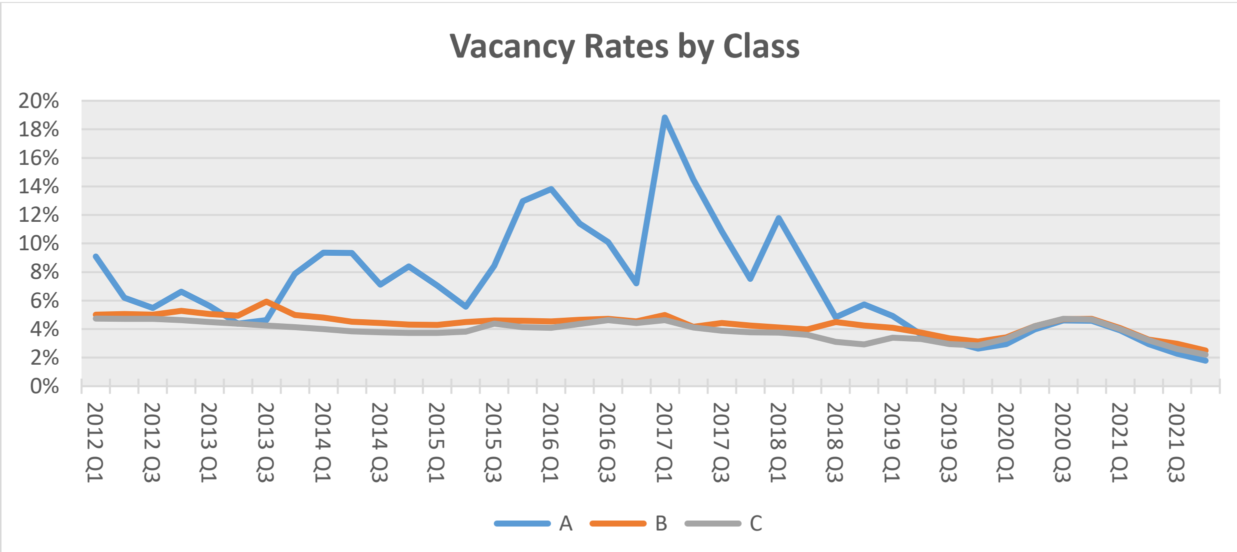
Net absorption for the overall Downtown Brooklyn Multi-Family market was 102 units in fourth quarter 2021. That compares to 174 units in third quarter 2021, 191 units in second quarter 2021, and 188 units in first quarter 2021. Net absorption in the market over the prior 12 months totaled 655 units.

The Class A (4 & 5 Star) Multi-Family market recorded net absorption of 57 units in the fourth quarter 2021, compared to 103 units in the third quarter 2021, 111 units in the second quarter 2021, and 121 units in the first quarter 2021.

The Class B (3 Star) Multi-Family market recorded net absorption of 22 units in the fourth quarter 2021, compared to 37 units in the third quarter 2021, 36 units in the second quarter 2021, and 30 units in the first quarter 2021.

The Class C (1 & 2 Star) Multi-Family market recorded net absorption of 23 units in the fourth quarter 2021, compared to 34 units in the third quarter 2021, 44 units in the second quarter 2021, and 37 units in the first quarter 2021.

VACANCY



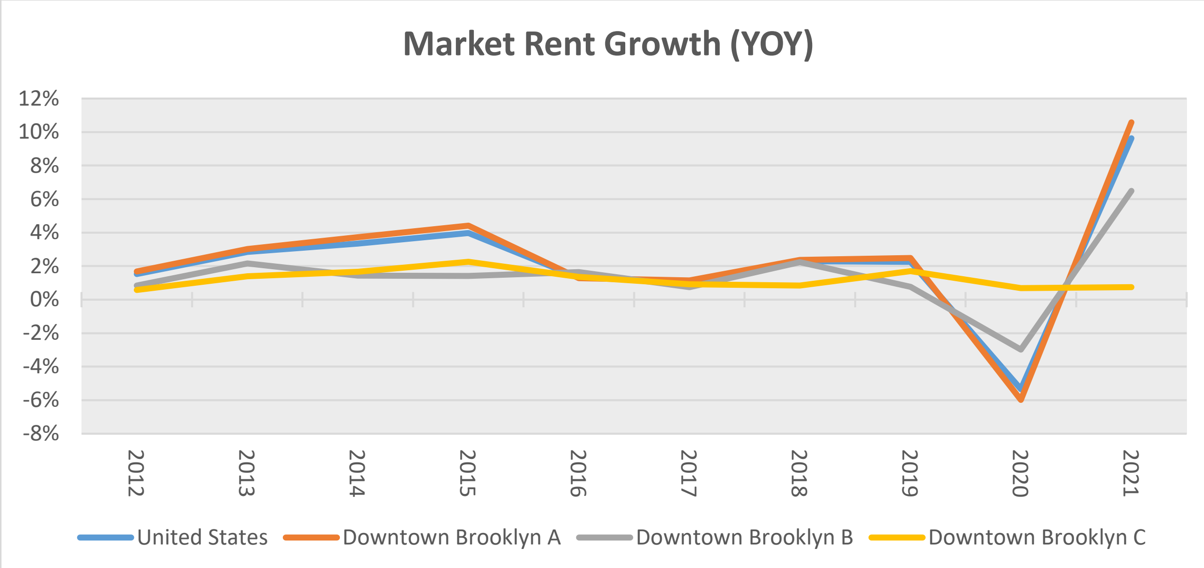
Vacancy for the overall Downtown Brooklyn Multi-Family market decreased to 2.04% in the fourth quarter 2021. That compares to 2.51% in the third quarter 2021, 3.09% in the second quarter 2021, and 3.97% in the first quarter 2021.

Class A (4 & 5 Star) projects reported a vacancy rate of 1.79% at the end of the fourth quarter 2021, 2.28% at the end of the third quarter 2021, 2.95% at the end of the second quarter 2021, and 3.91% at the end of the first quarter 2021.

Class B (3 Star) projects reported a vacancy rate of 2.50% at the end of the fourth quarter 2021, 2.97% at the end of the third quarter 2021, 3.27% at the end of the second quarter 2021, and 4.07% at the end of the first quarter 2021.

Class C (1 & 2 Star) projects reported a vacancy rate of 2.21% at the end of the fourth quarter 2021, 2.61% at the end of the third quarter 2021, 3.23% at the end of the second quarter 2021, and 4.01% at the end of the first quarter 2021.

RENTAL RATES



The average asking rental rate for available Multi-Family space, all classes, was $3,889 per unit per month at the end of the fourth quarter 2021 in the Downtown Brooklyn market area. This represented a 0.8% increase in quoted rental rates from the end of the third quarter 2021, when rents were reported at $3,856 per unit.

The average quoted rate within the Class A (4 & 5 Star) sector was $4,049 at the end of the fourth quarter 2021, while Class B (3 Star) rates stood at $3,527, and Class C (1 & 2 Star) rates at $2,607. At the end of the third quarter 2021, Class A (4 & 5 Star) rates were $4,010 per unit, Class-B (3 Star) rates were $3,522, and Class C (1 & 2 Star) rates were $2,605.

INVENTORY & CONSTRUCTION

During the fourth quarter 2021, a total of 0 units was completed in the Downtown Brooklyn market area. This compares to a total of 49 units completed in the third quarter 2021, a total of 0 units completed in the second quarter 2021, and 46 units completed in the first quarter 2021.

There were 4,110 units of Multi-Family space under construction at the end of the fourth quarter 2021.

SUBTYPE	EXISTING INVENTORY (UNITS)	NET DELIVERIES (12 MONTHS)	UNDER CONSTRUCTION (UNITS)
Class A (4 & 5 Star)	11,592	71	3,792
Class B (3 Star)	4,537	24	318
Class C (1 & 2 Star)	5,586	0	0
Total	**21,715**	**95**	**4,110**

DOWNTOWN BROOKLYN MARKET OUTLOOK

The Downtown Brooklyn Multi-Family market ended the fourth quarter 2021 with an overall vacancy rate of 2.04%. The vacancy rate decreased over the previous quarter, with net absorption totaling 102 units in the fourth quarter 2021. Rental rates increased $32.66 per unit per month over the previous quarter and ended at $3,889 per unit per month. A total of 0 units was delivered in the quarter, with 4,110 units still under construction at the end of the quarter.

NEW YORK HOSPITALITY MARKET

The lodging market is analyzed in the following section. The following data sources are relied upon:

- CBRE Consulting's Trends in the Hotel Industry USA Edition, 2021 and prior years;
- PricewaterhouseCoopers PwC Real Estate Investor Survey, 3rd Quarter 2021 (most recent for lodging industry); and
- Various articles concerning the hotel industry.

GENERAL HISTORICAL INDUSTRY OVERVIEW

During the last Great Recession in the U.S., which commenced in mid-2008 and reached the bottom in the 2nd quarter 2009, hotels across the nation were negatively impacted, in general.

Though the bottom occurred in mid-2009, the recession wasn't declared over until February 2010. As noted by the data presented in the tables on the on the next pages, the occupancy rate increased every year from 2010 through 2018. The national occupancy rate declined in 2019 due to supply growth exceeding demand growth.

Most markets within the U.S. experienced stabilized demand and occupancy rate levels over the past five to eight years, though some experienced occupancy rates in excess of long-term stabilized occupancy rates due to supply lagging the significant demand increases in these markets. In contrast, there were still a few markets within the U.S. that had not experienced significant demand increases since 2010. Most of the latter markets have experienced a decline in one or more major demand generator within their markets, including plant closures.

As the national growth in occupancy rate contracted, the increase in ADR and RevPAR have contracted annually since 2016. Historical data is provided in the following tables.

AVERAGE PERFORMANCE OF ALL HOTELS - UNITED STATES				
Year	% Occupancy	% Change	ADR	% Change
2007	70.80	-1.39%	$141.72	0.62%
2008	70.00	-1.13%	$155.54	9.75%
2009	63.90	-8.71%	$135.15	-13.11%
2010	67.70	5.95%	$136.24	0.81%
2011	69.20	2.22%	$141.09	3.56%
2012	70.50	1.88%	$149.10	5.68%
2013	72.30	2.55%	$152.40	2.21%
2014	74.30	2.77%	$158.62	4.08%
2015	74.75	0.61%	$174.66	10.11%
2016	74.90	0.20%	$176.08	0.81%
2017	75.60	0.93%	$179.26	1.81%
2018	76.00	0.53%	$179.48	0.12%
2019	74.90	-1.45%	$179.70	0.12%
2020	36.60	-51.28%	$142.58	-20.62%

Source: CBRE Consulting's Trends in the Hotel Industry USA Edition-2021

The ADR performance by type of hotel is summarized in the following table.

AVERAGE DAILY RATES BY SEGMENT - UNITED STATES										
Year	Full	% Change	Limited	% Change	Resort	% Change	Suite*	% Change	Conv.	% Change
2007	$155.54	8.97%	$84.36	11.15%	$216.51	3.28%	$86.67	-43.30%	$176.97	1.19%
2008	$155.82	0.18%	$83.18	-1.40%	$224.08	3.50%	$128.53	48.30%	$186.43	5.35%
2009	$135.80	-12.85%	$78.27	-5.90%	$197.95	-11.66%	$113.09	-12.01%	$162.94	-12.60%
2010	$140.75	3.65%	$73.77	-5.75%	$197.10	-0.43%	$95.86	-15.24%	$162.32	-0.38%
2011	$149.88	6.49%	$77.49	5.04%	$193.46	-1.85%	$96.89	1.07%	$164.81	1.53%
2012	$155.53	3.77%	$84.31	8.80%	$209.40	8.24%	$109.71	13.23%	$173.03	4.99%
2013	$155.95	0.27%	$93.01	10.32%	$222.43	6.22%	$113.54	3.49%	$182.49	5.47%
2014	$166.05	6.48%	$94.87	2.00%	$226.37	1.77%	$119.53	5.28%	$183.78	0.71%
2015	$183.38	10.44%	$100.73	6.18%	$242.98	7.34%	$125.75	5.20%	$192.56	4.78%
2016	$184.80	0.77%	$109.85	9.05%	$247.65	1.92%	$131.01	4.18%	$192.90	0.18%
2017	$185.67	0.47%	$115.79	5.41%	$253.93	2.54%	$137.09	4.64%	$196.88	2.06%
2018	$183.62	-1.10%	$116.31	0.45%	$257.16	1.27%	$138.36	0.93%	$203.80	3.51%
2019	$184.46	0.46%	$118.79	2.13%	$277.40	7.87%	$136.53	-1.32%	$204.35	0.27%
2020	$144.39	-21.72%	$94.33	-20.59%	$312.21	12.55%	$108.89	-20.24%	$164.78	-19.36%

**Suite without Food and Beverage*

Source: CBRE Consulting's Trends in the Hotel Industry USA Edition-2021

The occupancy performance by type of hotel is summarized in the following table.

OCCUPANCY BY SEGMENT - UNITED STATES										
Year	Full	% Change	Limited	% Change	Resort	% Change	Suite*	% Change	Conv.	% Change
2007	71.3%	-4.04%	65.7%	-2.67%	**71.7%**	**-2.58%**	71.8%	-5.65%	71.9%	-1.10%
2008	69.8%	-2.10%	64.9%	-1.22%	**68.1%**	**-5.02%**	73.9%	2.92%	73.3%	1.95%
2009	64.6%	-7.45%	59.5%	-8.32%	**61.9%**	**-9.10%**	68.0%	-7.98%	64.8%	-11.60%
2010	68.6%	6.19%	61.4%	3.19%	**66.7%**	**7.75%**	72.9%	7.21%	67.6%	4.32%
2011	70.1%	2.19%	63.5%	3.42%	**68.0%**	**1.95%**	74.4%	2.06%	68.7%	1.63%
2012	71.3%	1.71%	65.1%	2.52%	**68.5%**	**0.74%**	75.0%	0.81%	71.4%	3.93%
2013	72.3%	1.40%	73.0%	12.14%	**69.3%**	**1.17%**	74.8%	-0.27%	73.1%	2.38%
2014	74.8%	3.46%	69.4%	-4.93%	**71.9%**	**3.75%**	78.5%	4.95%	74.6%	2.05%
2015	75.9%	1.47%	70.4%	1.44%	**73.0%**	**1.53%**	78.3%	-0.25%	75.6%	1.34%
2016	75.2%	-0.92%	70.9%	0.71%	**73.2%**	**0.27%**	78.7%	0.51%	74.8%	-1.06%
2017	76.0%	1.06%	71.6%	0.99%	**73.9%**	**0.96%**	79.5%	1.02%	75.0%	0.27%
2018	76.2%	0.26%	72.6%	1.40%	**73.1%**	**-1.08%**	80.2%	0.88%	75.8%	1.07%
2019	75.0%	-1.57%	71.5%	-1.52%	**73.4%**	**0.41%**	78.3%	-2.37%	74.9%	-1.19%
2020	32.5%	-56.67%	44.3%	-38.04%	**30.0%**	**-59.13%**	58.7%	-25.03%	24.9%	-66.76%

**Suite without Food and Beverage*

Source: CBRE Consulting's Trends in the Hotel Industry USA Edition-2021

CURRENT PERFORMANCE AND FORECASTS

National historical and forecasted occupancies, ADRs, and RevPARs as published by CBRE in its December 2021 – February 2022 and the June – August 2021 Hotel Horizons Reports, as well as prior editions, are summarized in the next table.

National Hotel Historical and Forecast								
Year	Occ.	% Chg.	ADR	% Chg.	RevPAR	% Chg.	Supply Chg.	Demand Chg.
2007	62.8%	-0.5%	$104.31	6.6%	$65.51	6.1%	2.1%	1.7%
2008	59.8%	-4.8%	$107.40	3.0%	$64.23	-2.0%	1.9%	-3.3%
2009	54.5%	-8.8%	$98.17	-8.6%	$53.54	-16.7%	2.8%	-6.2%
2010	57.5%	5.4%	$98.20	0.0%	$56.43	5.4%	1.7%	7.2%
2011	59.9%	4.2%	$101.92	3.8%	$61.01	8.1%	0.5%	4.6%
2012	61.3%	2.3%	$106.20	4.2%	$65.06	6.6%	0.4%	2.8%
2013	62.1%	1.4%	$110.40	4.0%	$68.59	5.4%	0.7%	2.1%
2014	64.4%	3.4%	$115.18	2.9%	$74.13	8.2%	0.6%	4.0%
2015	65.4%	1.5%	$120.40	4.5%	$78.68	6.1%	0.9%	2.5%
2016	65.4%	0.1%	$124.05	3.0%	$81.14	3.1%	1.4%	1.5%
2017	65.9%	0.7%	$126.81	2.2%	$83.52	2.9%	1.7%	2.4%
2018	66.1%	0.4%	$129.95	2.5%	$85.97	2.9%	2.0%	2.4%
2019	66.1%	0.0%	$131.20	1.0%	$86.73	0.9%	2.0%	2.0%
2020	42.7%	-35.9%	$100.76	-22.3%	$43.06	-50.2%	1.5%	-35.0%
Pre-Covid-19 Forecasts, Published Mid-February 2020 (Based on Data through Dec. 2019)								
2020F	65.6%	-0.8%	$132.09	0.7%	$86.63	-0.1%	2.0%	1.2%
2021F	65.8%	0.3%	$133.54	1.1%	$87.86	1.4%	1.8%	2.2%
2022F	66.1%	0.4%	$135.95	1.8%	$89.84	2.3%	1.6%	2.0%
2023F	66.5%	0.6%	$138.87	2.1%	$92.31	2.7%	1.5%	2.1%
2024F	66.8%	0.6%	$142.08	2.3%	$94.97	2.9%	1.4%	2.0%
Post-Covid-19 Actual and Forecasts, Published December 2020								
Q1 2020	52.6%	-15.5%	$124.73	-4.4%	$65.63	-19.3%	2.1%	-13.8%
Q2 2020	29.0%	-59.1%	$83.40	-37.4%	$24.49	-74.4%	1.9%	-58.4%
Q3 2020	44.2%	-37.9%	$96.94	-26.6%	$42.88	-54.4%	1.8%	-36.8%
Q4 2020F	41.5%	-33.8%	$95.46	-25.7%	$39.61	-50.8%	1.7%	-32.7%
2020F	41.8%	-37.4%	$102.94	-21.5%	$43.06	-50.9%	1.8%	-36.2%
2021F	50.1%	19.7%	$101.65	-1.3%	$50.89	18.2%	1.4%	21.3%
2022F	57.3%	14.4%	$111.06	9.0%	$63.60	25.0%	1.0%	15.5%
2023F	63.8%	11.4%	$121.35	9.3%	$77.40	21.7%	1.6%	13.1%
2024F	67.1%	5.3%	$134.07	10.5%	$90.01	16.3%	1.9%	7.2%
Source: CBRE Hotels' Hotel Horizons, December 2021-February 2022 Edition and Prior Editions								

Key items on the national hotel market from the preceding:

- It took approximately three years for the hotel market's occupancy to return to the pre-Great Recession levels but the ADR returned to pre-Great Recession levels in about four years with the RevPAR requiring nearly four years.

- Post-Great Recession, the national RevPAR growth rates were significantly above inflation and long-term growth rates, ranging from 5.4% to 8.2% between 2010 and 2015.

- Once supply increases began to meet demand growth and demand became saturated, the growth rates across all metrics began to contract.

- Even before the COVID-19 pandemic was declared, Hotel Horizons forecasted a decline in occupancy rate in 2020 with an ADR growth rate at its lowest point since 2010 which resulted in the first decline in RevPAR since 2009.

- The forecasts made subsequent to the pandemic indicate that the national hotel markets will not return to pre-COVID-19 levels until 2023 or 2024.

The subject is classified as being within the luxury chain scale segment. The national performance for luxury hotel market is presented in the next table.

National Forecast - Luxury Hotels								
Year	Occ.	% Chg.	ADR	% Chg.	RevPAR	% Chg.	Supply Chg.	Demand Chg.
2007	72.6%	na	$293.81	na	$213.15	na	na	na
2008	69.1%	-4.8%	$293.81	0.0%	$202.92	-4.8%	5.5%	0.4%
2009	63.6%	-8.0%	$244.04	-16.9%	$155.13	-23.5%	9.3%	0.6%
2010	67.4%	6.3%	$248.05	1.6%	$167.68	8.4%	6.8%	13.6%
2011	70.8%	5.0%	$262.88	5.9%	$186.40	11.2%	2.1%	7.2%
2012	72.9%	3.1%	$274.91	4.6%	$200.43	7.8%	-0.2%	2.8%
2013	74.3%	1.9%	$289.64	5.4%	$215.09	7.3%	0.3%	2.2%
2014	74.9%	0.9%	$304.89	5.2%	$228.29	6.4%	1.2%	2.1%
2015	74.3%	1.0%	$284.84	4.2%	$211.53	5.7%	1.0%	2.0%
2016	74.5%	0.3%	$289.45	1.6%	$215.67	2.0%	1.5%	1.9%
2017	74.7%	0.3%	$293.52	1.4%	$219.26	1.7%	1.5%	1.7%
2018	74.7%	0.0%	$300.88	2.5%	$224.80	2.5%	2.6%	2.6%
2019	74.7%	0.0%	$302.94	0.7%	$226.42	0.7%	3.0%	3.0%
2020	26.6%	-62.3%	$258.24	-15.2%	$68.64	-68.0%	2.1%	-61.5%
Q1 2020	56.2%	-23.2%	$314.66	0.4%	$176.68	-22.9%	3.4%	-20.6%
Q2 2020	7.8%	-89.9%	$172.67	-42.8%	$13.55	-94.2%	2.9%	-89.6%
Q3 2020	19.3%	-74.5%	$204.36	-28.7%	$39.41	-81.8%	2.6%	-73.9%
Q4 2020F	22.7%	-61.8%	$236.07	-24.0%	$65.49	-70.9%	2.6%	-60.8%
2020F	27.8%	-62.9%	$265.73	-12.3%	$73.75	-67.4%	2.9%	-61.8%
2021F	43.6%	57.1%	$247.24	-0.7%	$107.78	46.1%	2.5%	60.9%
2022F	56.5%	29.7%	$283.43	14.6%	$160.24	48.7%	1.1%	32.1%
2023F	67.7%	19.7%	$303.47	7.1%	$205.43	28.2%	1.2%	21.1%
2024F	74.7%	10.3%	$318.31	4.9%	$237.74	12.7%	1.1%	11.6%
Source: CBRE Hotels' Hotel Horizons, December 2021-February 2022 Edition and Prior Editions								

Key items on the national upper-upscale hotel market from the preceding:

- Once this segment recovered from the economic turmoil of the great recession, its overall occupancy maintained a stabilized range of 74.3% to 74.9% from 2013 through 2019. However, the segment experienced ADR growth each year from 2010 through 2019.

- Luxury brands were some of the hardest hit segment in 2020, with occupancy levels in the single digits in second quarter 2020.

- The forecasts made subsequent to the pandemic indicate that the national luxury hotel market will not return to pre-COVID-19 levels until 2024.

The subject is located in an urban market. The national performance for urban hotel markets is presented below.

National Forecast - Urban Hotels								
Year	Occ.	% Chg.	ADR	% Chg.	RevPAR	% Chg.	Supply Chg.	Demand Chg.
2007	68.3%	0.1%	$150.14	8.4%	$102.55	8.5%	1.0%	1.1%
2008	66.3%	-3.0%	$155.64	3.7%	$103.14	6.0%	1.8%	-1.2%
2009	61.7%	-6.8%	$137.05	-11.9%	$84.60	-18.0%	0.3%	-4.3%
2010	65.5%	6.1%	$140.32	2.4%	$91.89	8.6%	1.7%	7.9%
2011	67.5%	3.1%	$147.29	5.0%	$99.42	8.2%	1.3%	4.5%
2012	69.4%	2.8%	$153.96	4.4%	$108.81	7.4%	0.5%	3.4%
2013	70.5%	1.6%	$160.89	4.5%	$133.32	6.1%	1.0%	2.6%
2014	72.3%	2.6%	$168.16	4.7%	$121.56	7.3%	1.7%	4.3%
2015	73.0%	1.0%	$174.00	3.3%	$127.00	4.4%	1.8%	2.8%
2016	73.0%	0.0%	$177.23	1.9%	$129.38	1.9%	2.9%	2.9%
2017	73.5%	0.6%	$178.90	0.9%	$131.42	1.6%	3.0%	3.7%
2018	73.5%	-0.1%	$183.16	2.4%	$134.45	2.3%	3.0%	3.0%
2019	73.2%	-0.4%	$183.66	0.2%	$134.05	-0.2%	3.2%	2.8%
2020	36.3%	-50.2%	$116.47	-32.1%	$42.31	-66.2%	1.7%	-49.4%
Q1 2020	53.8%	-20.9%	$159.32	-5.4%	$85.74	-25.2%	3.0%	-18.5%
Q2 2020	19.4%	-75.0%	$99.23	-48.3%	$19.26	-87.7%	3.1%	-74.2%
Q3 2020	33.6%	-56.4%	$103.49	-43.4%	$34.74	-75.3%	3.1%	-55.0%
Q4 2020F	46.4%	-33.9%	$130.56	-30.6%	$60.51	-54.1%	1.7%	-32.8%
2020F	38.3%	-47.7%	$130.65	-28.7%	$49.98	-62.7%	2.7%	-46.3%
2021F	56.1%	46.6%	$143.03	9.5%	$80.20	60.5%	-0.3%	46.2%
2022F	64.3%	14.6%	$162.23	13.4%	$104.27	30.0%	0.3%	15.0%
2023F	68.9%	7.2%	$177.42	9.4%	$122.26	17.3%	1.2%	8.5%
2024F	72.5%	5.2%	$191.57	8.0%	$138.83	13.6%	1.8%	7.1%
Source: CBRE Hotels' Hotel Horizons, December 2021-February 2022 Edition and Prior Editions								

Key items on the national suburban hotel market from the preceding:

- The occupancy growth rate has maintained a stabilized rate between 73.0% and 73.5% from 2015 to 2019.
- After larger jumps between 2011 and 2015, the ADR growth rate has slowed its increase, although still remained positive through 2019.
- The RevPAR growth rate has maintained stable growth for the last five years.
- The declines in occupancy and ADR were felt strongest in second quarter 2020, and by fourth quarter 2020, improvements have been made, but are still well below 2019 figures.
    - The forecasts made subsequent to the pandemic indicate that the national suburban hotel market will not return to pre-COVID-19 levels until 2024 for its ADR and 2024 for the occupancy rate.

Weekly data on the U.S. hotel market from first week of 2020, before the pandemic was declared, through the most recent week available as of this writing is presented in the next table which is followed by a summary of monthly hotel data from the last week of January 2020 through the most recent monthly data available as of this writing.

2020 Monthly Performance Data - Total United States									
Month	Occupancy Rate	% Change from Prior Month	% Change from Prior Year	ADR ($)	% Change from Prior Month	% Change from Prior Year	RevPAR ($)	% Change from Prior Month	% Change from Prior Year
January	55.10%	na	0.80%	126.06	na	1.40%	69.47	na	2.20%
February	62.20%	12.89%	0.20%	130.78	3.74%	1.40%	81.33	17.07%	1.70%
March	39.40%	-36.66%	-42.30%	110.66	-15.38%	-16.50%	43.54	-46.47%	-51.90%
April	24.50%	-37.82%	-63.90%	73.23	-33.82%	-44.40%	17.93	-58.82%	-79.90%
May	33.10%	35.10%	-55.17%	79.57	8.66%	-39.90%	26.35	46.96%	-71.00%
June	42.20%	27.49%	-42.50%	92.15	15.81%	-31.50%	38.88	47.55%	-60.60%
July	47.00%	11.37%	-36.10%	101.76	10.43%	-24.80%	47.84	23.05%	-52.00%
August	48.80%	3.83%	-30.30%	100.08	-1.65%	-22.70%	48.81	2.03%	-46.10%
September	48.50%	-0.61%	-30.20%	98.99	-1.09%	-25.50%	47.96	-1.74%	-48.10%
October	48.30%	-0.41%	-30.10%	97.61	-1.39%	-26.80%	47.13	-1.73%	-48.80%
November	40.30%	-16.56%	-34.50%	90.92	-6.85%	-27.70%	36.67	-22.19%	-52.60%
December	36.70%	-8.93%	-32.30%	91.96	1.14%	-27.60%	33.76	-7.94%	-51.00%
Source: STR									

The preceding indicates:

- The occupancy rate declined immediately upon the pandemic being declared. This was due to restrictions on inbound international flights, major events and conventions being postponed or canceled across the country. At the same time, many corporations began restricting travel in order to keep their employees safe and to avoid lawsuits. The leisure segment was the last to show a notable decline in demand.
- April was the worse month thus far and is expected to represent the bottom. Performance metrics began to reverse course with positive monthly growth experienced across all metrics in May 2020 through August.
- The monthly occupancy rates began to decline in September, and in December, the occupancy rate was the lowest since March and only slightly higher than the occupancy rate experienced in April and May. This is the result of upticks on COVID-19 cases across the country.
- The monthly ADR experienced strong growth from May through July. Unfortunately, the national average ADR began declining in August, with only the slightest increase in December.

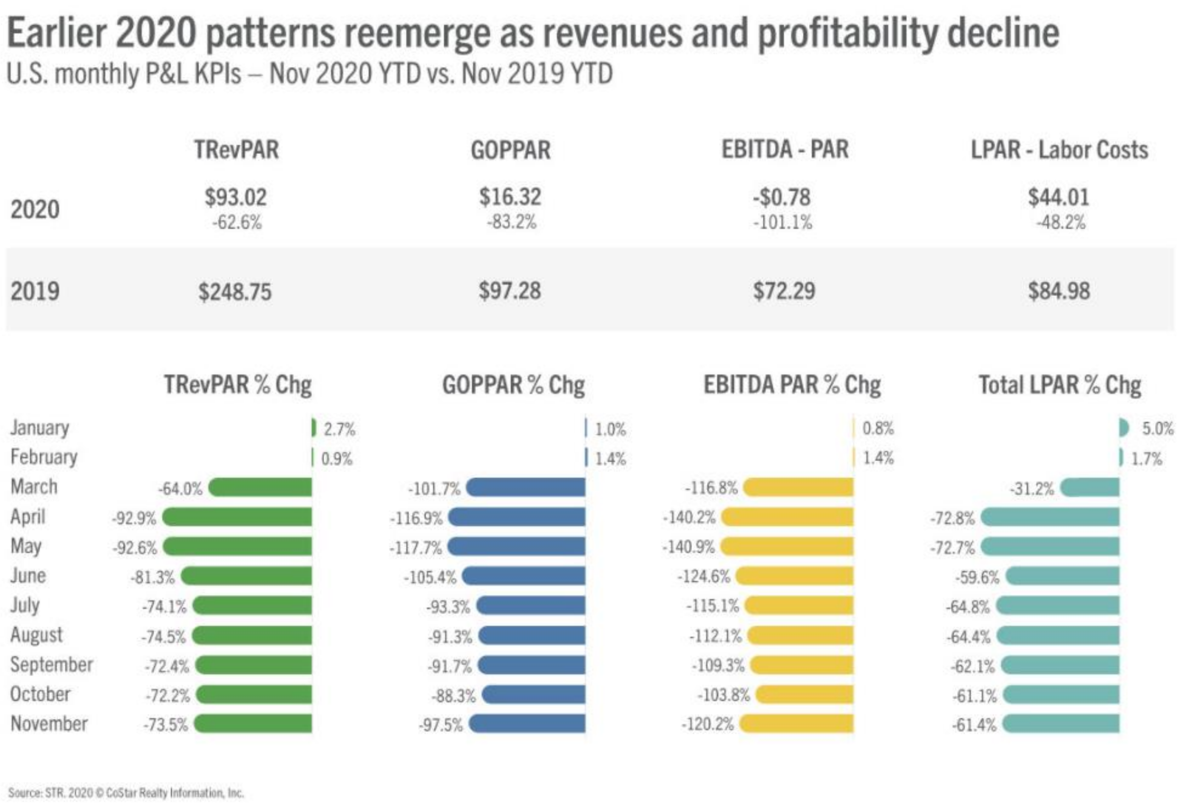
Not all hotel markets have been similarly impacted by the COVID-19 pandemic. Many hotels in markets that were heavily impacted by COVID-19 were able to offset portions of demand loss from traditional generators with healthcare and other essential workers providing temporary local assistance and those seeking to quarantine themselves from their families as well as others that used hotel rooms as an office due to a lack of workspace in their homes. The extended-stay and economy hotels experienced the lowest decline in operational metrics in March and April, due to their design being similar to small apartments and their lower price point. The luxury, upper-upscale and upscale brand segments experienced greater declines than the other chain segments.

Per Kalibri Labs and Hotel Complete, 10% of U.S. hotel rooms were closed at the end of June compared to 15% at the peak in April. Many hotel owners across the nation opted to temporarily close their hotels during the worst of the pandemic. The reported vacancy rates would have been worse from the pandemic except that nearly 5,000 hotel properties (about 917,000 rooms) across the U.S. temporarily closed. Data indicates that luxury, upper-upscale and upscale experienced the greatest degree of hotel closures and greatest declines in RevPAR.

Those hotels along interstates and major highways tended to outperform the overall market. This was a result of road traffic, particularly for distribution which remained robust for essential products. The urban and resort markets experienced the greatest declines from a geographic standpoint. In particular, those hotels that traditionally have a significant demand from international travelers and the oil and gas industry were hit harder than other markets. Due to COVID-19, the demand for oil and gas fell precipitously which resulted in storage facilities being at capacity, fuel tankers being unable to unload their cargo and consequently the largest drop in oil futures ever seen, even declining into the negative for a short period. Though the price of oil has improved in the past few months, the recent decline resulted in the closure of many wells, future drilling plans being deferred and layoffs in the industry – all events which negatively impact the hotel industry. It is expected that those markets which are heavily dependent on oil and gas will experience a decline worse than the decline experienced in the 2014 collapse.

Depending upon the location and the related government restrictions imposed to fight the pandemic, many closed hotels began reopening in May and early June. The first hotels to experience improving demand were those located in drive-to beach or park destinations, such as the beaches along the Gulf Coast as well as national and state parks in those states which did not restrict park access. Those markets which typically rely on air travel have seen limited improvement as people are generally fearful of flying. Though passenger traffic at TSA checkpoints has been increasing over the past few weeks, the numbers are still roughly 30% of 2019 levels. Most hotels are expected to reopen; however, several, particularly the older properties that were not performing well before the pandemic, may not reopen. In select areas, owners of closed hotels are considering redevelopment options to either other uses or more modern hotels.

In addition to the pandemic impacting room revenues, the pandemic is also impacting other revenue departments, operating expenses and gross operating profits (GOP) as indicated by data compiled by STR and presented in the next graph which clearly depicts the changes across all revenue, expense and profit. Though labor costs declined as did other expenses, the collective decline was not sufficient to offset the decline in revenues for many months in 2020 as depicted in the following graphic.

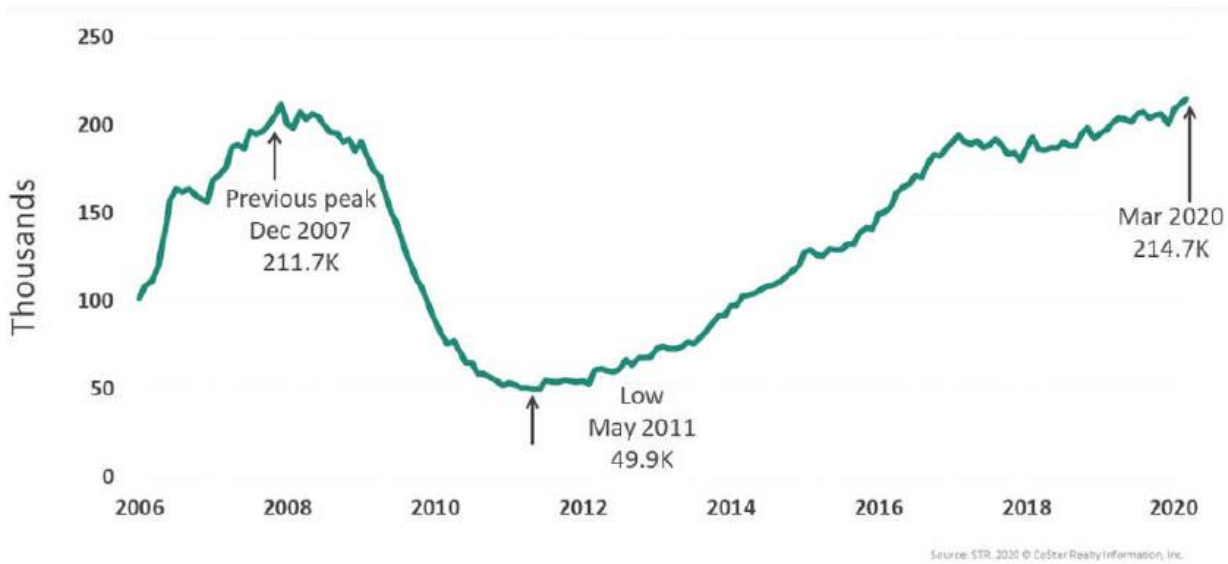


NATIONAL NEW SUPPLY

Per STR data, there were 214,704 hotel rooms under construction in March 2020, at the beginning of the pandemic, which is the highest ever reported. The industry's prior peak was in December 2007 with 211,694 rooms under construction. In February 2020, the highest level of rooms in the final phase of the development pipeline was reported with 211,859 rooms. Of those construction projects currently underway across the U.S., four markets have a significant number of hotel rooms under construction:

- New York has 14,051 rooms which reflects 11% of its current supply.
- Las Vegas has 9,062 rooms which reflects 5.5% of its current supply.
- Orlando has 8,737 rooms which reflects 6.7% of its current supply.
- Los Angeles/Long Beach has 6,640 rooms which reflects 6.3% of its current supply.

The variance in number of hotel rooms under construction is presented in the following graph.



As with construction during the most recent recession, it is expected that those hotel projects which had already commenced vertical construction will be completed and those in the planning or final planning phase will either have their start dates deferred or will be canceled completely. Many of those that are under construction may experience completion delays due to supply chain issues associated with materials and FF&E. In certain cases, local market conditions may delay the opening of hotels upon completion.

It was reported that in March 2020, 30 projects in the planning or final planning state were deferred and another eight were completely abandoned. The decision to proceed, defer or cancel will be dependent upon several factors which have arisen due to COVID-19:

- Solvency of the developer to not only complete the project but fund a protracted ramp up to stabilization.
- Most equity firms are waiting on opportunities to purchase existing hotels at distressed prices, lower than replacement costs, rather than to invest in new construction projects.
- There is the potential of material shortages due to supply-chain issues, particularly steel from China.
- Over the next months, a decline in construction activity could result in lower construction costs for a deferred project.
- There is the potential of traditional financing for construction being unavailable for possibly 12 to 18 months.
- Governmental regulations in many locals could shut down or limit construction activities which would increase the length of time it takes to complete a project and thus increase a project's overall costs.

- Local market conditions may no longer support the financial feasibility of planned projects.

Per Lodging Economics (LE), at the end of the 2nd quarter 2020, there were 1,771 projects with 235,467 rooms under construction, up 3% and 1%, respectively, from the same period in 2019 with another 2,389 projects with 276,247 rooms still scheduled to commence in the coming year. LE also reported that the volume of new project announcements in the 2nd quarter 2020 was down by 53% from 2019.

By the end of September 2020, LE reported that 1,611 projects were under construction, with 2,185 hotels is expected to commence during the next 12 months and another 1,492 hotels in the early planning state.

Per an article in Hotel Business, dated November 16, 2020, LE noted that of the hotels currently under construction, 10% are actually scheduled to open sooner than originally planned, 45% of projects have had no change to their opening date, 29% had their opening timeline extended by three months or less, 12% were pushed out three to six months, and 4% of projects under construction will open more than six months from the original expected completion date.

Upscale and upper-midscale projects scheduled to start in the next 12 months, and those in the early planning stage, are largely delayed by three to six months, similar to projects under construction. In the top 25 markets, 57% of the projects scheduled to start in the next 12 months and in early planning had no delays to their construction start dates quarter-over-quarter. Twenty-three percent of projects had a shift in construction start timeline by up to six months, 8%% were delayed by six to nine months, 9%% were extended out past nine months, 2% of projects are scheduled to open sooner than their estimated Q2 ’20 date and 1% of projects have become inactive.

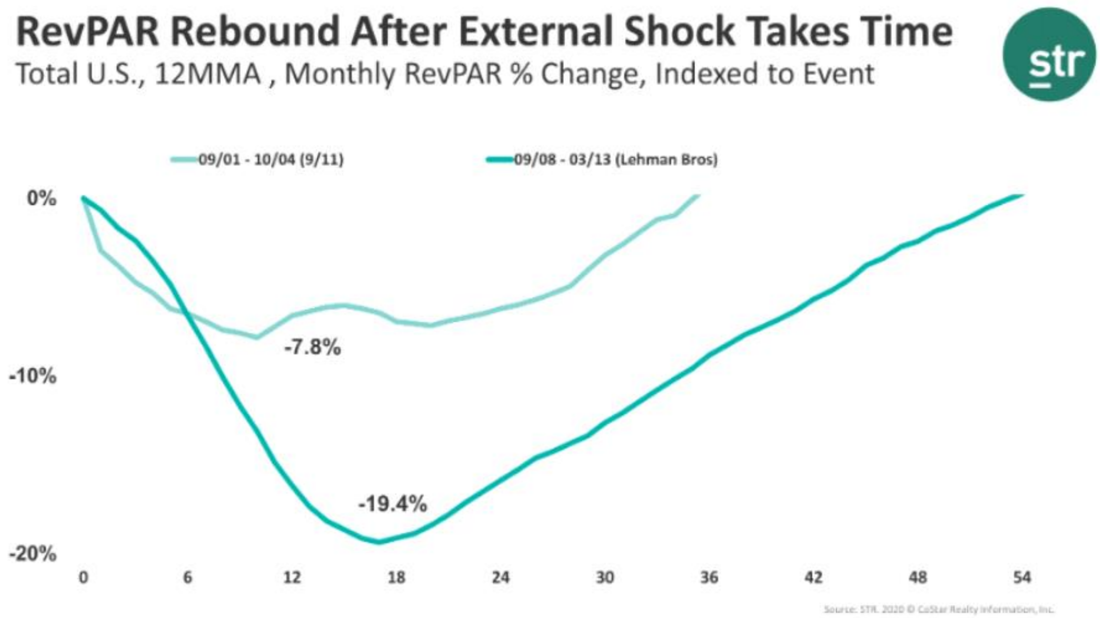
Most agree that the continued lower interest rates and expectations that the hotel markets will be recovering from the effects of the pandemic by the time construction is complete are keeping projects moving forward, though on longer timelines.

FORWARD LOOKING PERFORMANCE POST COVID-19

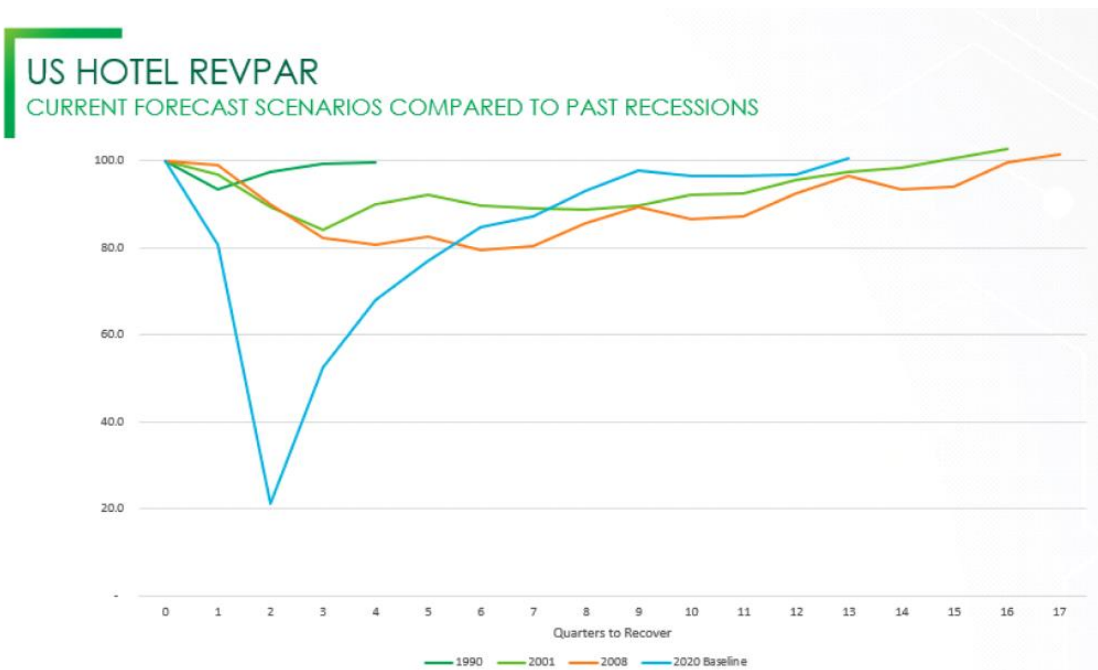
The National Bureau of Economic Research determined, in June 2020, that the U.S. economy was in a recession. The peak of the most recent expansion, which began in June 2009, was in February 2020. This most recent expansion lasted for 128 months, longer than the previous record that lasted from March 1991 to March 2001. Most economists agree that the recent expansion would have continued were it not for COVID-19. Most are hopeful that the recession will be short lived but generally all agree that the containment of COVID-19 is necessary to support a return to expansion.

Most have turned to the hotel market’s reaction to past turbulent events in order to forecast the rebound from the pandemic. Post 9/11, the annualized room rate declined for 12 consecutive months then required 24 months to recover to pre-9/11 levels. Post the Great Recession, ADR declined 17 consecutive months then it took 36 months for rates to recover to pre-recession level.

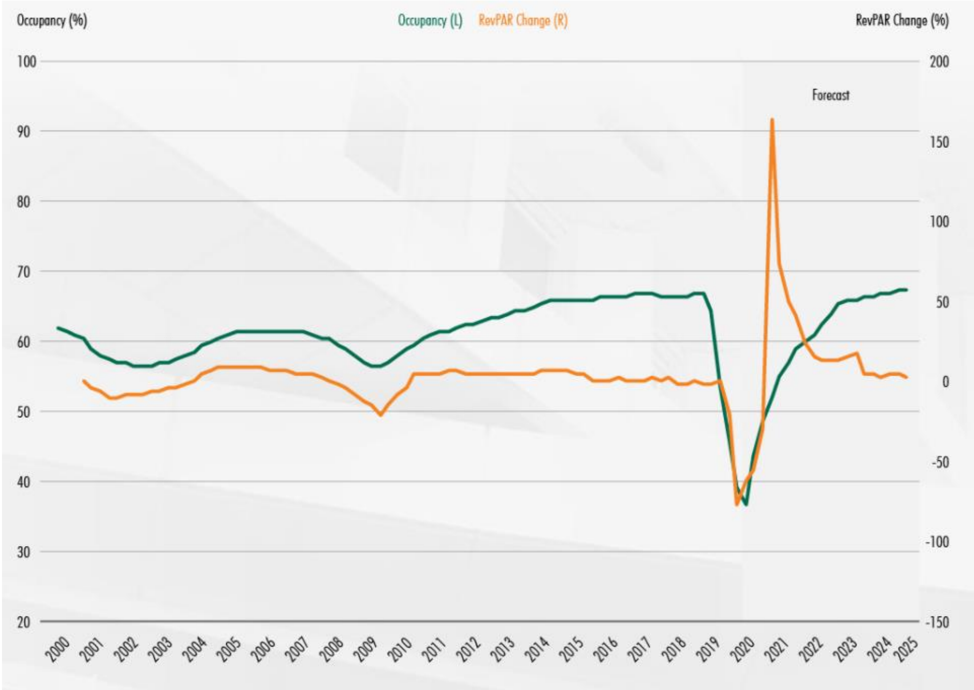
The following graphs display the U.S. RevPAR movements post 9/11 and post the most recent recession (commenced with Lehman Brothers collapsing). Subsequent to both events, demand recovered quicker than room rates. In comparison to the current situation versus the two prior downturns, the US economy was much stronger prior to the COVID-19 pandemic than is was in 2001 and 2008.



Source: STR, © 2020 CoStar Realty Information, Inc.

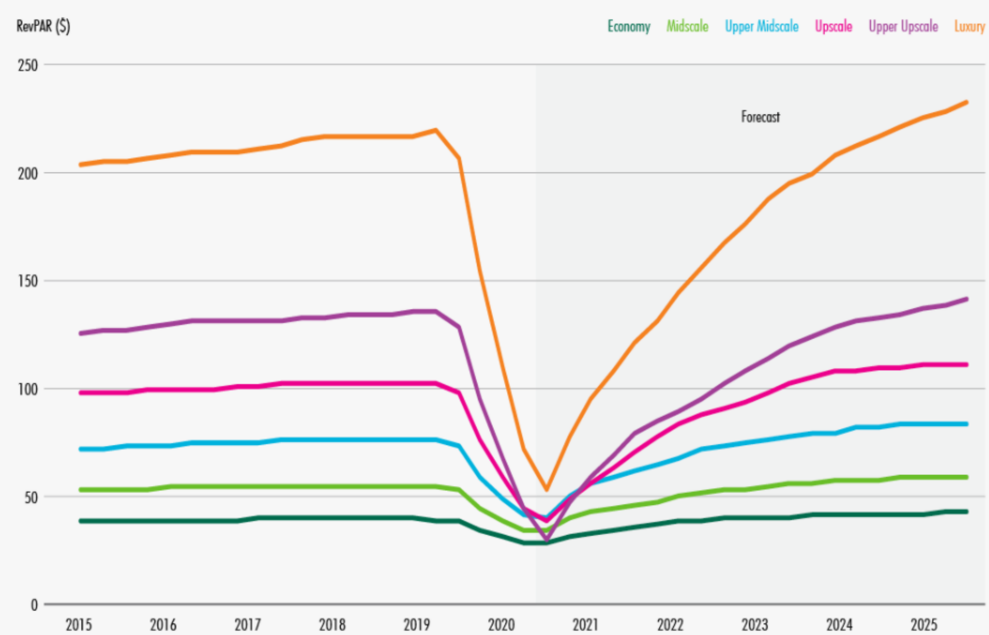


Source: STR, CBRE Hotels Research, April 2020.
Note: RevPAR Indexed to Pre-recession levels



Sources: CBRE Hotels, Kalibri Labs, Q2 2020.

FIGURE 17: NATIONAL NOMINAL REVPAR BY CHAIN SCALE (Q4-CENTERED AVERAGE)



Source: CBRE Hotels, Kalibri Labs, Q2 2020.

IMPACT ON INVESTMENT FROM COVID-19

The US sales volume was greater in January and February 2020, up by nearly 14% from than the same period in 2019; however, the transaction volume was down 74% year-over-year from March through May, according to the Hotel

Transaction Almanac. The dollar volume was down largely due to a substantial 48% decline in the number of hotel transaction over the period. Those transactions that closed in March and April involved exchanges that began negotiations before the pandemic's onset. According to Real Capital Analytics, year-over-year activity in April was down 98% as hotel trading came to an abrupt halt.

Per the Q2 2020 Major US Hotel Sales Survey published by LW Hospitality Advisors (LWHA), there were only six announced single asset sale transactions over $10 million in the 2nd quarter, none of which are part of a portfolio. These transactions totaled roughly $246 million and included approximately 1,459 hotel rooms with an average sale price per room of roughly $169,000. In comparison, there were 35 transactions totaling roughly $2.6 billion including 9,100 hotel rooms with an average sale price per room of $286,000 in the 2nd quarter 2019. Comparing Q2 2020 with Q2 2019, the number of trades decreased by approximately 83% while total dollar volume declined roughly 91% and sales price per room dropped by 41%.

Capital available for hotels has declined at a greater rate than for other types of commercial real estate and many owners have sought forbearance on existing loans. A Marcus & Millichap report noted that second-hand exchanges of CMBS are trading with spreads of 1,500 to 2,000 basis points above Treasuries versus the less than 500 basis points for other asset classes.

Per data from Real Capital Analytics, the average prices/room prior to the Great Recession were about $170,000 for full-service hotels and $88,000 for limited-service hotels. The average prices/room hit the bottom in 2010 with prices of about $90,000 and $55,000, respectively. Clearly, the full-service pricing was more volatile and reflected the greater decline in EBITDA incurred by full-service hotels versus limited-service hotels. The limited-service hotels fared better due to the lower operating leverage reducing EBIDTA fluctuations and due to the lower overall value of this asset class being less impacted by changes in the capital markets. This asset class is also often purchased by a buyer/operator which reduces volatility during downturns. The average price took nearly five years to recover during the Great Recession and nearly eight years from 9/11.

Over this same period, capitalization rates for full-service hotels increased from an approximate 8.75% in May 2008 to nearly 9.75% in September 2009 and returned to the pre-recession capitalization rates in late 2010. The capitalization rates for limited-service hotels increased from an average of approximately 9.25% (March 2008) to nearly 10% in September 2009 and didn't return to 9.25% until late in 2010.

Prior to the Great Recession, full-service hotels had capitalization rates that were typically 150 basis points lower than those for limited-service hotels and due to the recession, the gap narrowed to only a 50-basis point spread. The full-service capitalization rate increased by nearly 150 basis points during the recession while the average capitalization rate for the limited-service hotels increased by only 75 basis points. However, once the hotel market began to recover from the recession, its average capitalization rates for full-service hotels decreased at a greater rate and at a greater pace than the average capitalization rates from limited-service hotels.

The hotels that are most at risk for the greatest value declines are:

- full-service hotels, particularly those dependent on group demand,
- located in gateway markets that rely on international demand or intercontinental fly-to markets, particularly those with airport locations,
- independent properties due to the market's perception that branded hotels will be required to maintain adherence to stricter cleaning protocols, and
- located in markets with heavy dependence on the oil and gas sector for demand.

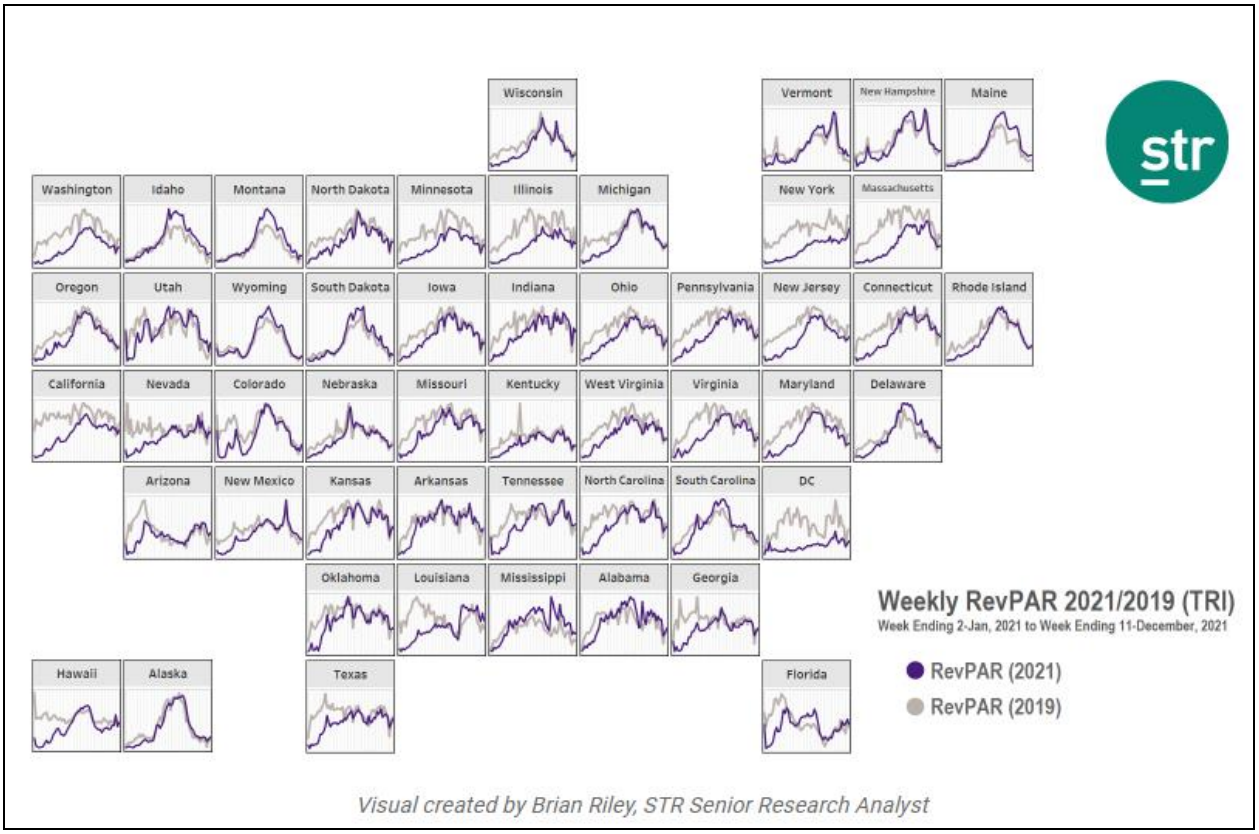
The hotels that have a lower risk of significant value declines are:

- those that rely on transient demand,
- those located in drive-to markets,
- those located in interstate, suburban and small metro markets,
- those in the extended-stay, economy and midscale segments, and
- those affiliated with strong brands.

There is currently a notable spread between buyers and sellers in pricing hotels with brokers citing asking prices to be about 10% below 2019 levels and bid prices ranging from 30% to 50% below 2019 prices. Downward pricing pressure is the result of historically high revenue and EBIDTA declines, the current economic recession, uncertainty of the return of normal air travel, the potential for a prolonged recovery and the potential of a cash drain forcing some owners to sell. Upward pricing pressure is associated with the cost of capital expected to remain low, the return of business operations, the return of positive operations and investment firms having ample capital to invest which will increase competition for assets when improvements are experienced.

IMPACT OF COVID-19 AND MITIGATION REQUIREMENTS IN SUBJECT MARKET

The state and local government restrictions across the US have varied broadly which resulted in hotels in certain areas experiencing a greater degree of negative impact on demand and operations. The spreads between state-level demand from the week ending April, 2020 through the week ending December 12, 2020 versus the week ending January 2, 2021 through the week ending December 11, 2021 are presented in the following graphic.



As indicated by the preceding, Hawaii, Alaska and Washington D.C. have experienced the greater declines in occupancy, followed by Illinois, New York and Massachusetts. These states are among those that enacted the most restrictive mitigation policies across the US

NYC HOMELESS SHELTER OVERVIEW

The following homeless shelter overview of New York City was provided by ***State of the Homeless 2021*** as prepared by Coalition for the Homeless:

EXECUTIVE SUMMARY

This State of the Homeless report is being released 40 years after the right to shelter was first established in New York City with the signing of the *Callahan* Consent Decree in August 1981.[1] Since then, the municipal shelter system has grown from 3,600 beds to today's vast network that, at its height in January 2019, accommodated nearly 64,000 people each night.

The root of this problem is, and has always been, the Federal government's abdication of its responsibility to provide housing for low-income renters, and the subsequent failure of the City and State to view the need as a *housing crisis* and not a *homelessness crisis*. This mindset has fueled decades of shortsighted policies and a reflexive retreat into simplistic, often ideological attempts to manage the problem, rather than solve it. The cost of this failure has been massive in both its human and monetary quotients.

While the right to shelter in NYC does create a critical baseline of decency in our city – and has, over the past four decades, saved countless lives by providing those who've lost their homes with an alternative to bedding down on the streets – shelters do not solve homelessness. Housing does. The moral imperative of providing all with the dignity and safety of a home has never been more strikingly obvious than it has over the past year.

Indeed, it has been one year since COVID-19 first hit New York City – another crisis that has forever changed the landscape of our city. The pandemic has been physically, economically, and mentally devastating for all New Yorkers, as it has been for people around the country and the world. The crisis has laid bare egregious health and economic disparities in New York City, and has taken a tremendous toll on people of color and those who lack stable housing. Homeless individuals and families have been particularly at risk, as they lack a safe and private place in which to practice preventive measures like social distancing and frequent handwashing while a deadly, airborne virus continues to spread across the city.

The city was already experiencing record homelessness among single adults and near-record homelessness among families when the pandemic began. In February 2020, more than 19,000 single adults were sleeping in shelters each night – more than at any time since the City started keeping count in 1983. Tens of thousands of homeless New Yorkers cycled between shelters, the streets, hospitals, nursing homes, unstable housing, and jails and prisons each year, exposing the feeble – often nonexistent – safety net for low-income people, particularly those living with disabilities. Meanwhile, the number of homeless families sleeping in shelters each night exceeded 14,000 in February 2020, including more than 21,000 children.

When the pandemic hit New York City in March 2020 with tremendous speed and lethality, the health and wellbeing of the 61,000 New Yorkers sleeping in Department of Homeless Services (DHS) shelters, in addition to the thousands more staying on the streets and in shelters run by other agencies, were profoundly vulnerable to the harms it would bring. Most homeless single adults were sheltered in congregate settings, with shared dorms, dining areas, and bathrooms, along with continually rotating staff – conditions poorly suited to containing the spread of a highly contagious virus.

Homeless families with school-age children did not have access to the resources needed to switch to remote learning. Unsheltered individuals – who rely on a patchwork system of public spaces, private businesses, and nonprofit services to meet their basic human needs – found themselves scrambling to find food, clothing, open bathrooms, cover from the elements, and other necessities.

The City and State were fully unprepared to deal with the devastating scope of the deadly pandemic and resulting economic crisis, and were slow to respond. Both Mayor de Blasio and Governor Cuomo made critical errors in their responses to the pandemic that placed homeless New Yorkers at grave risk. This State of the Homeless report thus emphasizes the devastating impact of the coronavirus pandemic on homeless New Yorkers over the past year, and grades the City and State on their responses to both the housing crisis and public health crisis – each of which has contributed to the severity of the other.

The obstacles that homeless individuals and families must overcome to find a way into permanent housing are considerable: the scarcity of Section 8 vouchers and NYCHA apartments; a shortage of affordable housing compounded by poorly targeted City-subsidized housing construction; City and State rent vouchers that don't come close to covering fair market rents in NYC; and rampant discrimination in many forms, which continues to freeze New Yorkers of color out of the housing market.

The recommendations in this report draw on proven solutions that match the scale and urgency of the crisis. They underscore the need to keep people safe, to emphasize the role of housing in health care, to address systemic racism in the persistence of mass homelessness, and to prevent a new wave of New Yorkers from losing their homes and entering shelters or turning to the streets. As the pandemic has made crystal clear, our elected leaders must act with speed and purpose to promote and actualize the idea that housing is a human right – a right that requires smart and substantial investments in our future by every level of government.

RECOMMENDATIONS

HOUSING

Governor Cuomo must:

- Implement the Home Stability Support (HSS) program to create a State-funded, long-term rent subsidy for households receiving public assistance who are homeless or at risk of losing their housing due to eviction, domestic violence, or hazardous housing conditions.
- Implement the Housing Access Voucher Program (HAVP) to create a State-funded, long-term rent subsidy for homeless and very low-income households.
- Accelerate the pace of production of the 20,000 units of supportive housing pledged by the Governor in 2016 by completing them by 2026 instead of 2031, and fully fund the construction and operation of the remaining 14,000 units.
- Ensure effective reentry planning for individuals being released from State prisons in order to identify viable housing options prior to each individual's scheduled release date.

  - Fund the creation of supportive housing specifically for individuals reentering the community from State prisons.

  - Reform punitive parole practices that allow parole officers to exercise wide discretion and deny placement at potentially viable addresses for individuals leaving State prisons.

Mayor de Blasio must:

- Implement the Fair Chance for Housing Act (Intro. 2047) to prohibit housing discrimination on the basis of an arrest or conviction record in New York City.
- Raise the rent levels for CityFHEPS rent vouchers to Section 8 payment standards and eliminate the benefits cliff (Intro. 146).
- Help families move out of shelters with long-term rent subsidies, including Section 8 vouchers.
- Allocate at least three-quarters of tenant-based Section 8 vouchers made available each year to homeless households so they can exit shelters.
- Accelerate the timeline for the creation of 15,000 City-funded supportive housing units by scheduling their completion by 2025 rather than 2030.

  - Create an impartial appeals process through the Human Resources Administration (HRA) for individuals applying for supportive housing who are denied.

  - Eliminate bureaucratic barriers to placement in supportive housing, with a true Housing First model, including relaxing the standard for documenting unsheltered homelessness for the purpose of establishing eligibility for supportive housing.

  - Implement a system of notifying supportive housing residents of their rights as tenants and clients of service providers (Intro. 2176).
- Legalize accessory dwelling units with adequate safety standards and appropriate tenant protections.
- Extend the right to counsel to all income-eligible tenants regardless of zip code and ensure that funding of legal services providers enables them to meet the demand.

Mayor de Blasio and Governor Cuomo should together:

- Call on the Federal government to fund Section 8 vouchers as an entitlement for all households who meet the eligibility standards.
- Fund the production of more housing specifically for homeless single adults, separate and apart from their respective existing supportive housing commitments.
- Expand access to supportive housing for adult families – a population with disproportionately high levels of disability and complex needs.
- Ensure that undocumented New Yorkers have equal access to affordable and supportive housing and eviction prevention assistance.

SHELTERS AND UNSHELTERED HOMELESSNESS

Mayor de Blasio must:

- Provide single-occupancy hotel rooms for all homeless individuals living in congregate shelters and those living on the streets or sleeping in the subway system for the duration of the COVID-19 pandemic.
- Initiate the redesign of emergency shelter facilities, with the expectation that the risk of exposure in future pandemics will require the provision of private rooms including bathrooms for each individual or household, and with attention to the principles of safety, public health, accessibility, and individual autonomy.
- Provide reliable internet access to all families and individuals sleeping in shelters.
- Reform the process of providing outreach to unsheltered homeless individuals to a client-centered, harm reduction approach. This reform should include expanding the number of providers that conduct outreach in the subways. The following reforms should also be included:

  - Open at least 3,000 new Safe Haven and stabilization beds in single-occupancy rooms and offer them to all unsheltered homeless individuals.

  - Expand the number of Safe Haven and stabilization beds for women.

  - Prohibit NYPD from responding to 311 calls requesting assistance for homeless individuals and remove NYPD from all homeless outreach functions. Calls to 311 should only result in the deployment of contracted DHS outreach workers.

  - Allow individuals with multiple disabling conditions, intellectual or developmental disabilities, or chronic/severe medical issues to enter Safe Havens without first proving they have been on the streets for nine months and/or out of the DHS municipal shelter system for six months.

  - Create a role for peers in outreach and ensure that unsheltered New Yorkers have a voice in policymaking.

  - Equip outreach teams with essential items such as socks, hand sanitizer, backpacks, clothing, and coats.

  - Expand access to low-barrier medical and mental health care, including virtual care and street medicine.

  - Prohibit the use of CCTV to monitor unsheltered New Yorkers in the transit system and public spaces.

  - Implement the CCIT-NYC campaign's proposal for non-police responses to mental health crises.

  - Cease encampment-clearing operations and street sweeps, focusing instead on connecting people to resources they want.

  - Open a network of public restrooms and showers across the city that are staffed and cleaned consistent with COVID-19 precautions. Public restrooms should be available 24 hours a day.

  - Open a sufficient network of 24-hour warming and cooling centers throughout the city with proper air filtration and ventilation, appropriate safety protocols, and adequate personal protective equipment.

  - Administratively clear all summonses that have been issued under the Subway Diversion Program.

Governor Cuomo must:

- Ensure that homeless individuals are not taken against their will to new crisis centers, which must by law only serve voluntary patients.
- Immediately halt the deployment of additional MTA police in response to homeless people located in transit facilities and trains.
- Reverse harmful cuts to New York City's emergency shelter system that have resulted in the State short-changing the City by hundreds of millions of dollars over the past decade, and share equally with the City in the non-Federal cost of sheltering homeless families and individuals.
- Replace the grossly inadequate $45 per month personal needs allowance for those living in shelters with the standard basic needs allowance provided to public assistance recipients.
- Permanently eliminate the statewide requirement that shelter residents pay rent for shelter or enroll in a savings program as a condition of receiving shelter.
- Promptly implement regulations and funding for medical respite programs included in the State budget.

Mayor de Blasio and Governor Cuomo should together:

- Publish detailed COVID-19 statistics on infection, hospitalization, and mortality among homeless New Yorkers, including family composition, age, shelter status and type of shelter, race, and other relevant demographics, including risk factors.
- Ensure that shelter residents, unsheltered New Yorkers, and staff who serve people who are homeless are offered immediate and low-barrier access to available vaccines, including informed consent and clear, consistent, culturally competent, and accessible information.
- Implement a less onerous shelter intake process for homeless families in which 1) applicants are assisted in obtaining necessary documents, 2) housing history documentation is limited to the prior six months, and 3) DHS-identified housing alternatives are investigated to confirm their availability, safety, and lack of risk to the potential host household's tenancy. For adult families, the City must accept verification of time spent on the streets from the widest possible array of sources, including outreach teams, soup kitchen volunteers, social workers, health care providers, and neighbors.
- Fund additional services for individuals living with severe and persistent mental illnesses, such as expanding access to inpatient and outpatient psychiatric care, providing mental health services in more single adult shelters, and adding more Assertive Community Treatment (ACT) teams for homeless people.
- Reinstate 24-hour subway service, and cease police profiling of homeless individuals in the transit system.
- Open and staff overdose prevention sites as a harm reduction model.

THE STATE OF HOMELESSNESS

THE IMPACT OF COVID-19 ON SHELTERED AND UNSHELTERED HOMELESS NEW YORKERS[2]

COVID-19 Cases

Between March and December 2020, the Department of Homeless Services reported to the State that there were 1,919 confirmed cases of COVID-19 among homeless individuals and families staying in DHS shelters and on the streets. An additional 608 cases of "COVID-like illness" (CLI) were also reported during this time, mostly at the beginning of the pandemic when widespread testing was unavailable to confirm presumed cases. When compared with citywide infection rates, the rate of infection among homeless New Yorkers was similar in the early months of the pandemic, higher in the summer, and lower for the latter part of 2020 as the overall infection rate in New York City surged. However, since September 2020, the rate of infection among homeless New Yorkers has been on the rise, increasing from 50 to 570 infections per 100,000 people from September to December 2020 – an increase of more than 1,000 percent. Between December 29, 2020, and March 2, 2021, DHS reported approximately 1,280 additional positive cases of COVID-19.

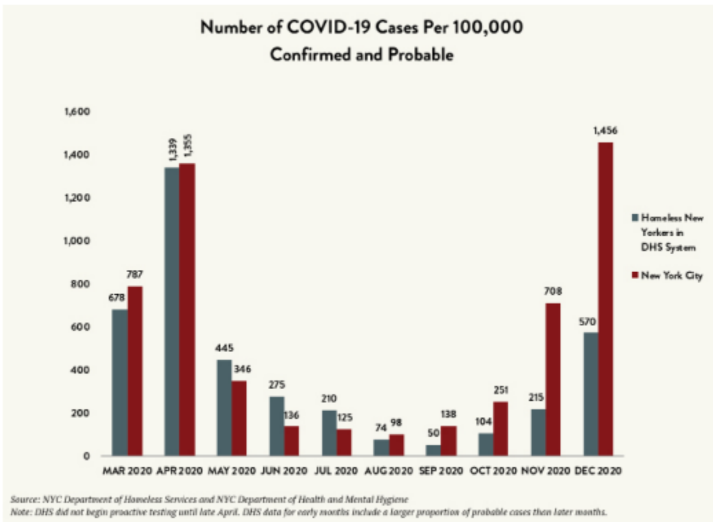


Image Description: A bar graph labeled "Number of COVID-19 Cases Per 100,000 Confirmed and Probable." The vertical axis lists numbers 0 to 1,600 in increments of 200. The horizontal axis lists the months March 2020 through December 2020. Dark red bars at each month show the number of COVID-19 cases per 100,000 people in New York City and gray bars at each month show the number of COVID-19 cases per 100,000 people among homeless New Yorkers in the DHS system. Labels at the top of each bar show the number of cases per 100,000 people at that time increment, most recently, 570 per 100,000 homeless people in December.

Homeless Single Adults Sleeping in Shelters

In February 2021, the number of single adults sleeping each night in DHS shelters was at a new all-time record of 20,822. The single adult shelter census reached new records in 10 of the 12 months between January and December 2020. Over the past decade, the single adult shelter census has increased by a staggering 109 percent.

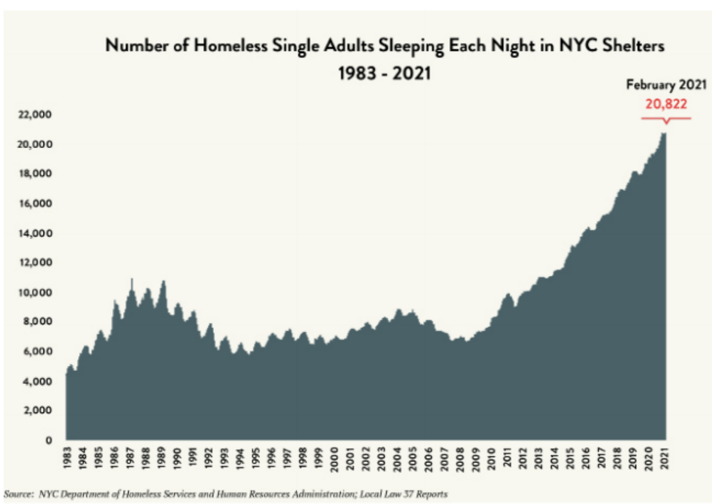
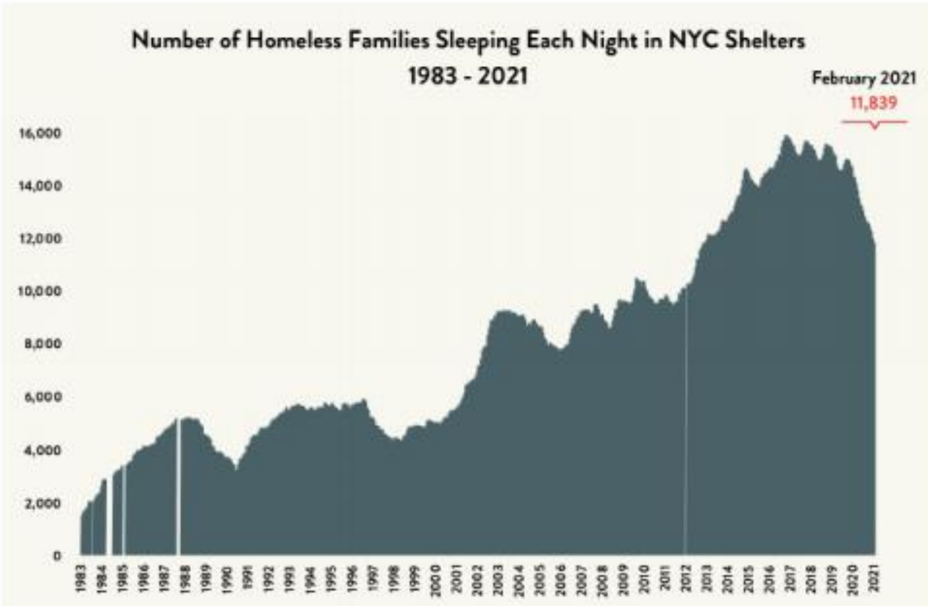
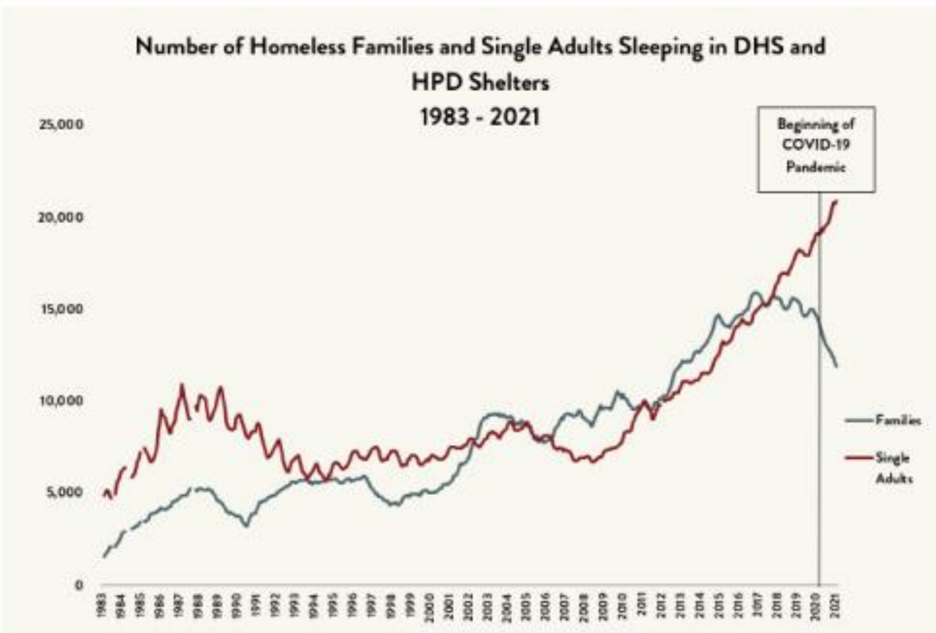


Image Description: A graph labeled "Number of Homeless Single Adults Sleeping Each Night in NYC Shelters 1983-2021." The vertical axis lists numbers 0 to 22,000 in increments of 2,000. The horizontal axis lists the years 1983 through 2021. A gray shaded area stretches along the horizontal axis and shows small peaks and troughs before a large incline with a peak labeled "February 2021 20,822."



Source: NYC Department of Homeless Services and Human Resources Administration; Local Law 37 Reports

Image Description: A graph labeled "Number of Homeless Families Sleeping Each Night in NYC Shelters 1983-2021." The vertical axis lists numbers 0 to 16,000 in increments of 2,000. The horizontal axis lists the years 1983 through 2021. A gray shaded area stretches horizontally with several peaks and troughs and a large incline followed by a decline leading to a point labeled "February 2021 11,839."



Source: NYC Department of Homeless Services
Note: HPD refers to family shelters run by the Department of Housing Preservation and Development

Image Description: A graph labeled "Number of Homeless Families and Single Adults Sleeping in DHS and HPD Shelters 1983-2021." The vertical axis lists numbers 0 to 25,000 in increments of 5,000. The horizontal axis lists the years 1983 through 2021 with a marker at 2020 labeled "Beginning of COVID-19 Pandemic." Two lines run horizontally with multiple peaks and troughs: A red line shows the number of single adults rising in recent years, and a gray line shows the number of families falling in recent years.

CITY AND STATE REPORT CARD

NEW YORK CITY

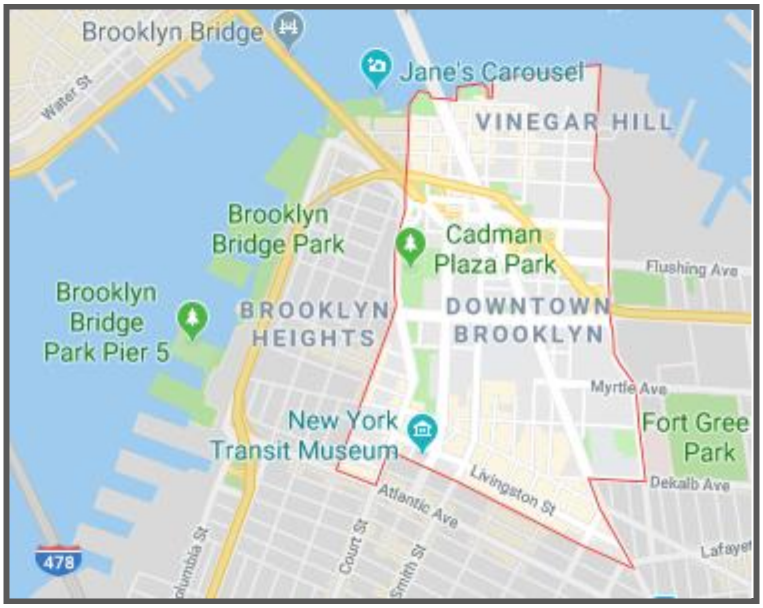
	Grade
COVID-19 Response	
Sheltered Homeless Single Adults	C-
Sheltered Homeless Families	B-
Homeless Students	F
Unsheltered New Yorkers	D
Emergency Food Distribution	A
Housing Production and Supply	D
Housing Vouchers and Stability	C-
Homelessness Prevention	A-

NEW YORK STATE

COVID-19 Response	
Unsheltered New Yorkers	F
Emergency Food Distribution	B
Housing Production and Supply	C
Housing Vouchers and Stability	F
Homelessness Prevention	B-

NEIGHBORHOOD ANALYSIS

Downtown Brooklyn Market Overview



THE RETAIL MARKET

A growing residential population, excellent transportation access, established retail corridors and revitalized pedestrian walkways have created a surging Brooklyn retail market. 150,000 daily shoppers in Downtown Brooklyn create a $2 billion retail market. Fulton Mall has attracted national retailers including H&M, Swarovski, Aeropostale, Armani Exchange, Express and Nordstrom Rack.

To the south. Atlantic Center and Atlantic Terminal feature numerous big box retailers such as Target, Uniqlo, Men's Warehouse, DSW, Marshalls, Victoria's Secret, Old Navy, and Best Buy. The Target store at Atlantic Terminal is consistently ranked among the top 3 revenue producing Target stores nationally.

OFFICE MARKET

Downtown Brooklyn is New York City's third-largest central business district, with 17 million square feet of office space; larger than Phoenix, Miami and Atlanta. Tenancy is diverse, including major Manhattan finance firms like Goldman Sachs, JPMorgan Chase and Morgan Stanley, as well as creative tenants including Etsy, West Elm and Glit Groupe.

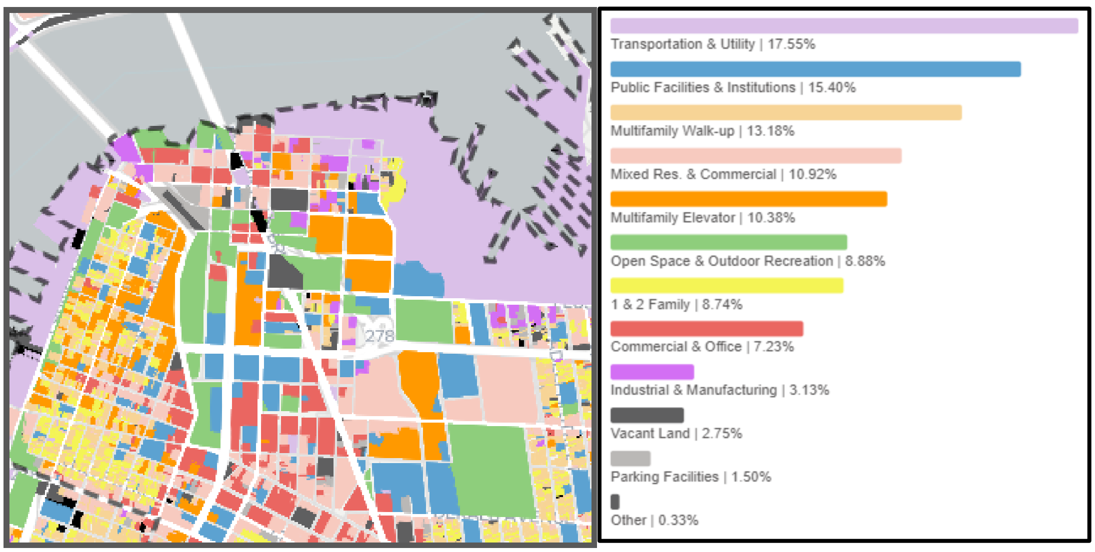
STEM industries have brought a new creative class to the borough, bringing high-paying jobs and further enhancing Brooklyn's live-work-play culture. The Tech Triangle formed by DUMBO, Downtown Brooklyn and the Brooklyn Navy yards is home to 500+ tech firms and is expected to welcome 150 more by 2015. Brooklyn, and its booming tech industry has become an extension of Midtown South's "Silicon Alley" Downtown Brooklyn boasts the nation's lowest vacancy rate at just 4.1%.

EDUCATION

Downtown Brooklyn has become one of the preeminent college towns in the country. New institutions such as Berkeley College have recently been founded, while others, like NYU Polytechnic are rapidly expanding.

With 57,000 college students, Downtown Brooklyn has a larger student population than Cambridge, Massachusetts. Major institutions include Pratt Institute, NYU Polytechnic, Brooklyn Law School, Long Island University and Empire State College.

NYU's merger with Polytechnic University, resulting in NYU Poly, was completed earlier this year, where more than 4,500 engineering students will help power Brooklyn's STEM economy. NYU's "2030" plan notes the school's intention to increase their presence in Downtown Brooklyn, with a goal of developing over 1million square feet of new program space at MetroTech.



CULTURE

Brooklyn is home to one of the most dynamic cultural sciences in the country. With renowned institutions like the Brooklyn Academy of Music, the Brooklyn Museum and the Brooklyn Public Library.

Over 500,000 patrons visit the BAM Cultural District annually, second only to Lincoln Center. Recent investments include over $100 million for new arts facilities and public spaces including $50 million for BAM Richard B. Fisher Building and $70 million for the permanent home of the Theater for a new Audience.

BARCLAYS CENTER ARENA

Opened in 2012, the Barclays Center Arena is one of the world's most successful sports arenas. Bringing the passion for sports back to Brooklyn with the borough's first major sports teams since the loss of the Brooklyn Dodgers. Home to the NBA's Brooklyn Nets basketball team and the NHL's New York Islanders (2015), as well as marquee concerts and conventions, Barclays Center Arena is the highest-grossing venue in the country and the second highest-grossing venue in the world, behind London's 02 Arena.

TOURISM

Brooklyn is experiencing unprecedented tourism growth as visitors are increasingly attracted to this epicenter of culture and creativity.

Quick and convenient access to Manhattan, lively surrounding neighborhoods, combined with trendy restaurants and retail draws over 15 million tourists to Brooklyn annually, on par with San Francisco and greater than Boston.

With over 100,000 office workers, 650,000 cultural visitors annually, and millions of fans that will continue to attend Barclays Center Arena every year, Downtown Brooklyn is enjoying a thriving hospitality industry.

TRANSPORTATION

Downtown Brooklyn is at the crossroads of mass transit and roadways, seamlessly connection Brownstone Brooklyn neighborhoods with Manhattan and Long Island. 14 Subway lines offer an approximately 10 to 20 minute travel time to all major Manhattan markets. 16 bus lines provide service between Downtown Brooklyn and Broadway Junction, Ridgewood, Kings Plaza, Crown Heights, park Slope, Long island City, Kensington, and Canarsie.

RESIDENTIAL MARKET

RESIDENTIAL HIGHLIGHTS

Downtown Brooklyn's convenient access to Manhattan makes it a natural home for employees in Midtown, Midtown South. And Downtown Manhattan, in addition to the local Brooklyn economy, leading the area to become Brooklyn's fastest growing neighborhood. Approximately 2.5 million residents call Brooklyn home, compared to 1.6 million in Manhattan.

A supply demand imbalance has resulted as approximately 11,500 rental units have been developed in Brooklyn over the past decade compared to the nearly 41,1000 in Manhattan. With the increase population 94 growth between 2010 and 2014--compared to 3% in Manhattan--demand for new residential rental and condominium housing options will continue to grow.

Nearly 80% of the 523 companies in the Tech Triangle say that over half their employees live in Brooklyn. The proximity of recreation space and cultural amenities such as For Greene park and Brooklyn Academy of Music are a major draw for potential residents of the area.

DOWNTOWN BROOKLYN VALUE PROPOSITION

New York City residents are increasingly choosing Brooklyn for its livability, lifestyle and relative affordability.

Tree lined streets, beautiful 19th century architecture, and open air compliment a substantial commercial core, providing families and young professionals the best of both worlds, and a far superior lifestyle to Manhattan.

Residential demand in Brooklyn is skyrocketing, driven by the allure of the borough, but also by the unaffordability of Manhattan developments, where 86% of condominium units planned through 2016 are expected to be priced at $1,600 PSF or higher.

The spread between Manhattan and Brooklyn sales prices have tightened over the past 5 years, down from a 51% discount on median sales in 2Q2009 to just 37% as of 2Q2014, establishing a strong trend towards normalization, but still offering a significant near-term value proposition.

Rental discounts are also tightening, with Brooklyn median monthly rents about 45% less than Manhattan in 2006, tightening to just a 12% in 2014, but offering more value on a per square foot basis.

With Brooklyn's residential market forecast to further strengthen into the foreseeable future, the current discount to Manhattan will logically tighten.

CONDOMINIUM MARKET

The Downtown Brooklyn condominium market is extremely under-supplied with only 466 condominium units developed in the last 4 years, primarily in low-rise boutique buildings.

Demand Remains strong with the median price of a Brooklyn co-op, condo, or house jumping to a record high during the second quarter of 2014m up 4.5% from the prior year. This is the 7th consecutive quarter with increase in year-over-year median sales prices. That increase was driven by 107 sales priced above $2 million in the second quarter of 2014, more than any other prior quarter, according to the Corcoran Group.

Inventory fell 6% from 2013 while the number of closed sales increased 12.5% from prior year, demonstrating the depth of the condominium sales market.

The near-term pipeline will not satisfy demand, with just 121 units in 5 developments planned for the next three years in Downtown Brooklyn area. Buyer demographics are shifting with the market, as Brooklyn residential brokerage Ideal Properties noted that nearly a third of Brooklyn home buyers in 2Q2014 earned at least $300,000 a year, compared with just 11 percent a year ago. Additionally, 65 percent of home buyers offered to pay with cash, compared with just 32 percent a year earlier.

RENTAL MARKET

The rental market has seen similar gains. With the median rental price increasing 6.6% from July of 2013. This marks the 14th consecutive month that the median rental price in Brooklyn has experienced year-over-year growth, demonstrating the increasing desirability of Brooklyn and rising affluence of the residential tenancy.

Rising rents have been driven by increased demand, with 127% year-over-year growth in the number of rental deals completed in July 2014 compared with July 2013.

RETAIL MARKET

Brooklyn is an understated retail giant. Home to some of the top performing locations in the country, but significantly under retailed with just 23 SF per capita versus the US average of 55 SF per capita. No longer a secret, Brooklyn experienced the largest percentage increase in the number of chain stores over the past two years of all the boroughs, led by many national brands opening their first New York City locations outside of Manhattan.

FULTON MALL GROWTH

Fulton Mall currently hosts national tenants such as Macy's, H&M, Nordstrom Rack, T.J. Maxx & Gap, as well as local icons including Shake Shack and Brooklyn Industries, demonstrating the diversity of retailers and rapidly improving demographics of the area. An estimated 45.5 million shoppers visit the Fulton Mall every year with average sales of $1,200 PSF, forming a large portion of Downtown Brooklyn's $2 billion retail market. Three blocks to the west, Acadia Realty Trust's CityPoint development built Armani Exchange a flagship location and has signed Alamo Drafthouse Cinema, Century 21 and Target City to major leases, solidifying the area as Brooklyn's retail hub.

ATLANTIC TERMINAL & ATLANTIC MALL

Atlantic Terminal & Atlantic mall form a significant retail hub, offering nearly 800,000 square feet of retail, dining and entertainment. Uniqlo recently opened their first Brooklyn outpost at Atlantic Terminal and target's Atlantic Terminal location was recently reported to be their top grossing store in all of the United States. Many other retailers note their locations in Atlantic Terminal & Atlantic Mall are the highest performing in terms of sales.

PUBLIC AND PRIVATE INVESTMENTS

Since the rezoning of Downtown Brooklyn in 2004, the area has been undergoing an incredible transformation, with nearly $5 billion in private investment and approximately $1.5 billion in public improvements underway. With new streetscapes, improved parks, and over 12 million square feet of mixed use development, Downtown Brooklyn is one of the fastest growing neighborhoods in New York City.

PUBLIC INVESTMENT

$350 million in public investment for the development of Brooklyn Bridge Park, a project currently underway. Over $40 million is being invested in streetscape improvements at Bam Park, Flatbush Avenue, Fox Square and Hoyt Plaza. The addition of permanent pedestrian plazas will benefit surrounding retail, similar to the effect seen in Times Square. $100 million in public investment has been committed to the improvement of the Bam Cultural District. Notable projects include the construction of the Bam Fisher Building which was completed in 2012, the Theatre for a new Audience, and the renovation of the iconic Strand Theater building.

The crown jewel of the City's 2004 Downtown Brooklyn Redevelopment Plan is Willoughby Square, a 1.25-acre park south of MetroTech Center. $40 million has already been invested in the project for land acquisition and design work. Upon completion in 2016, the park will feature manicured lawns, seating areas, concessions, and gardens above a 700-space, fully-automated, underground parking facility.

PRIVATE DEVELOPMENT

Pacific Park: Forest City Ratner Companies' Atlantic yards development, recently rebranded as Pacific park, will contain 8 million square feet of mixed use development across 22 acres, in addition to the acclaimed Barclays Center Arena. The project will include 247,000 SF of retail, 336,000 SF of commercial space, and 6,430 units of housing, in addition to an 8-acre public park, revitalizing the former LIRR rail yards.

The Hub: A 52 story, 720-unit rental tower that will be completed in 2015 and will contain 20% affordable housing. Amenities will include a fully equipped fitness center with yoga studio and locker rooms, a dog run, a grilling terrace and bike storage for every unit.

Empire Stores: Midtown Equities is redeveloping the Empire Stores coffee warehouse buildings in Brooklyn. The redevelopment project will include 300,000 SF of office space, 80,000 SF of retail and restaurant space, and 7,000

SF of rooftop open space and exhibition space. The project will be anchored by furniture retailer West Elm. The development is asking for record rents in Brooklyn, rivaling those of Manhattan office space.

City Point: 1.8 million square feet of mixed use development including retail, residential, entertainment and office space. The development will house a Century 21, City Target, Armani Exchange, and Alamo Drafthouse Cinema when completed in 2016.

BAM South: 32-story mixed use development containing 384 residential apartments, 20% affordable, and 21,000 SF of retail, The site will also contain over 45,000 SF of cultural space. The site also will include raised public plazas and walkways making the area more pedestrian friendly. The development is expected to be completed in 2016.

DOWNTOWN BROOKLYN OFFICE MARKET

Brooklyn has undergone a transformation into a thriving and dynamic office environment. Downton Brooklyn is now the 3rd largest commercial district in New York, and boasts one of the lowest vacancy rates in the nation.

TECH MIGRATION

Brooklyn, and its booming tech industry, has become an extension of Midtown South's "Silicon Alley." Asking rents in Midtown South have skyrocketed 44% over the past three years and the quality of available offices has declined. Tenants have become increasingly attracted to Downtown Brooklyn as it offers the same unique spaces. Yet greater green space and more lifestyle amenities for its young employees. The "Silicon Alley" F train seamlessly connects "Silicon Alley" and Downtown Brooklyn, the preferred live-work-play neighborhood. A multitude of government incentives provide savings of up to $16 PSF for companies relocating to Downtown Brooklyn.

BROOKLYN TECH TRIANGLE

The Tech Triangle formed by DUMBO, Downton Brooklyn and the Brooklyn Navy Yards is home to 500+ tech firms and is expected to welcome 150 more by 2015. Tech firms have had a $3.1B economic impact on the Brooklyn economy. DUMBO alone has the highest concentration of tech firms in New York. The 20-block neighborhood is home to over 25% of the City's tech companies.

METRO TECH

MetroTech Center, a premier urban office campus developed in 1992, has been a driving force in the evolution of Downtown Brooklyn. It provides 4.7M SF of Class A business and educational space to the area. Today, MetroTech is home to 22,000 employees from premier companies such as JP Morgan Chase, MarkerBot Industries, The Brooklyn Nets, NYU Poly and NYC Nationalgrid.

Metro Tech Commons is a 3.5-acre open space that host concerts, exhibitions and festivals and includes eateries along its border catering to office employees. The campus contains more floor area than the entirety of One World Trade Center while providing a lifestyle bonus for area employees.

Brooklyn Community District 2

NYC PLANNING

See BK 2's profile online at communityprofiles.planning.nyc.gov

Neighborhoods[1]: Boerum Hill, Brooklyn Heights, Clinton Hill, Downtown Brooklyn, DUMBO, Fort Greene, Fulton Ferry, Navy Yard, Vinegar Hill

POPULATION & DENSITY

2000[2]	2010[3]	2000-2010
98,620	99,617	+1%

2013-2017 Estimate[4]	139,203
Square Miles	2.8
Population Density	35,578/sq mi

COMMUNITY BOARD PERSPECTIVES

Top 3 pressing issues identified by Brooklyn Community Board 2 in 2019:

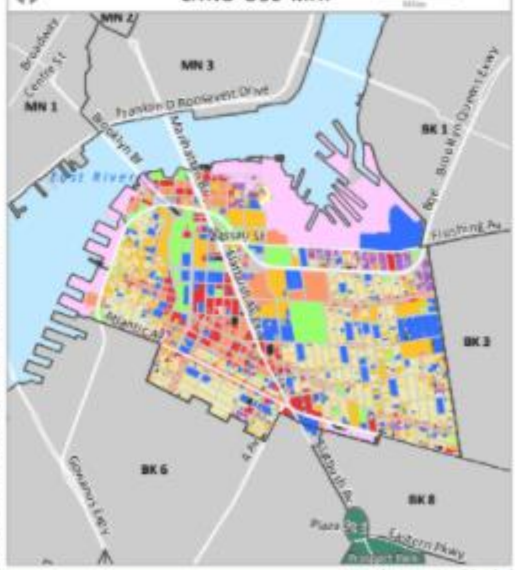
1. Affordable housing
2. Schools
3. Other

To learn more, please read Brooklyn CD 2's Statement of Community District Needs and Community Board Budget Requests for Fiscal Year 2021.

Website: www.nyc.gov/html/bkncb2
Email: cb2k@nyc.rr.com

Land Use Category	# Lots	% Lot Area
1 & 2 Family Bldgs	2,472	8%
Multifamily Walk-up	2,937	13%
Multifamily Elevator	252	10%
Mixed Use	1,222	12%
Commercial	306	7%
Industrial	157	3%
Transportation/Utility	67	20%
Public/Institutional	249	14%
Open Space	107	9%
Parking	138	1%
Vacant	197	2%
Other	29	0%

LAND USE MAP



Map Source: PLUTO 19v2

A Snapshot of Key Community Indicators

COMMUNITY ASSETS[5]

Public Schools	38
Public Libraries	4
Hospitals and Clinics	28
Parks	30

Click to visit the NYC Facilities Explorer

RENT BURDEN[4, 6]

Brooklyn CD 2: **31%** of households spend 35% or more of their income on rent

Brooklyn 46%

NYC 45%

ACCESS TO PARKS[7]

Brooklyn CD 2: **99%** of residents live within walking distance of a park or open space

Citywide Target 85%

MEAN COMMUTE TO WORK[4, 8]

Brooklyn CD 2: **35** minutes

Brooklyn 42 minutes

NYC 41 minutes

LIMITED ENGLISH PROFICIENCY[4]

Brooklyn CD 2: **9%** of residents 5 years or older have limited English proficiency

Brooklyn 23%

NYC 23%

CRIME RATE[9]

Brooklyn CD 2: **14.6** major felonies were reported per 1,000 residents in 2017

Brooklyn 11.2

NYC 11.8

EDUCATIONAL ATTAINMENT[4, 10]

Brooklyn CD 2: **61%** of residents 25 years or older have earned a bachelor's degree or higher

Brooklyn 35%

NYC 37%

UNEMPLOYMENT[4, 10]

Brooklyn CD 2: **5.1%** of the civilian labor force was unemployed on average from 2013 to 2017

Brooklyn 5.1%

NYC 4.9%

NYCgov POVERTY MEASURE[11]

Brooklyn CD 2: **11%** of residents have incomes below the NYCgov poverty threshold. See the federal poverty rate here.

Brooklyn 21%

NYC 20%

[1]Neighborhoods may be in multiple districts. Names and boundaries are not officially designated. [2]2000 US Census; [3]2010 US Census; [4]American Community Survey 2013-2017 5-Year Estimates, calculated for Public Use Microdata Areas (PUMAs). PUMAs are geographic approximations of community districts. [5]NYC Dept of City Planning Facilites Database (2019); [6]Differences of less than 3 percentage points are not statistically meaningful. [7]NYC Dept of Parks and Recreation (DPR) (2019). DPR considers walking distance to be 1/4 mile for parks less than 6 acres, and 1/2 mile for larger parks and pools. [8]Differences of less than 2 minutes are not statistically meaningful. [9]NYPD CompStat, Historic Complaint Data (2018); [10]Differences of less than 2 percentage points are not statistically meaningful. [11]2013-2017 NYCgov Poverty Measure by PUMA. This metric from the Mayor's Office for Economic Opportunity accounts for NYC's high cost of housing, as well as other costs of living and anti-poverty benefits.

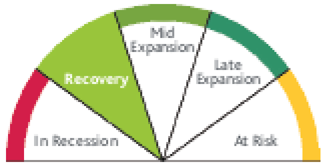
MOODY'S ANALYTICS

NEW YORK-JERSEY CITY-WHITE PLAINS NY-NJ

Data Buffet® MSA code: IUSA_DMNEY

ECONOMIC DRIVERS	EMPLOYMENT GROWTH RANK		RELATIVE COSTS		VITALITY	QUALITY
FINANCIAL CENTER / TOURIST DESTINATION / MEDICAL CENTER	2020-2022	2020-2025	LIVING	BUSINESS	RELATIVE	OF LIFE
	163 2nd quintile	152 2nd quintile	120%	153%	0.33 Rank: 99	112
	Best=1, Worst=410		U.S.=100%		Best=1, Worst=403	Best=1, Worst=378

BUSINESS CYCLE STATUS



STRENGTHS & WEAKNESSES

STRENGTHS

- Financial capital of the world.
- High per capita income and limited exposure to manufacturing.
- Strong international immigration.

WEAKNESSES

- High costs, including taxes, housing, office rents and energy.
- Rapidly aging infrastructure.
- Troubled fiscal health amid COVID-19 recession and population losses.

FORECAST RISKS

SHORT TERM ↓ LONG TERM ↑

COVID-19 EXPOSURE NOVEMBER 2021: **3** 1st quintile (Most=1, Least=403)

UPSIDE

- Cap on SALT deduction is lifted, providing an additional jolt to housing.
- Infrastructure investment increases productivity and slows out-migration.

DOWNSIDE

- Aggressive interest rate increases lead to an extended stock market correction, resulting in layoffs at banks.
- New variants drive a sharp decline in travel, crippling consumer industries.

MOODY'S RATING

Aa2 CITY AS OF MAY 13, 2021

ANALYSIS

Recent Performance. New York City-Jersey City-White Plains is regaining some momentum after a late-summer slowdown. Payroll growth has outpaced that of the nation since autumn began, helped by renewed in-person office work and the reopening of key attractions such as Broadway. Still, recent progress has barely made a dent in the gap with the U.S. In fact, NEY is further from its pre-pandemic employment peak than any other top 50 metro area or division. While private services are faring well, the public sector and education have slumped. Both are struggling to overcome a pickup in out-migration that has persisted in the aftermath of the pandemic. The silver lining, however, is that reduced overall demand is keeping inflation in check, with consumer prices rising far more slowly than they are nationally.

Finance. Despite relatively modest upward price pressures, broader inflation will ripple through NEY's economy via Wall Street. For the pivotal securities industry, the pandemic has meant relatively modest job losses and continued profits. But more recently, positions have declined and prospects are dimming as uncertainty around the pandemic and interest rates heighten the risk of an equity market correction. This short-term drag is accompanied by longer-term concerns about increased remote work shifting some workers and firms to lower-cost locales.

These developments put more pressure on tech, but it appears ready to carry the mantle. Venture capital continues to flow at record levels, with the third quarter representing a new high in funding for startups, according to CB Insights. Established firms also remain committed to the Big Apple. For example, Google plans to buy a large Lower Manhattan office it had been leasing, highlighting its bullishness on the city.

Real estate. NEY's real estate market will prove a mixed bag in 2022. Office use has picked up, according to Kastle Systems, which tracks key fob usage in a handful of large cities. The public sector has helped drive this trend, with government workers largely back in their offices and city leaders applying pressure to private firms. Meanwhile, the residential market is improving. Condo prices in Manhattan are finally moving in the right direction, according to the Case-Shiller index, and rents across the city are on the rise again, especially in Manhattan. Couple this with the red-hot northern and western suburbs and demand for construction will remain strong.

Risks to the housing market are tilted to the upside. The newly passed infrastructure bill could bolster quality of life as dilapidated roads, bridges and rail systems are upgraded. And the possible repeal of the state and local tax deduction cap could increase affordability. However, the office market faces a rockier road as leases expire and more firms downsize.

Visitors. The return of tourists will boost consumer industries to a degree. Hotel occupancy was more than halfway back to its pre-pandemic levels as of summer, but the remaining ground will be tougher to make up. Some international visitors have returned after many restrictions were lifted, but business travel faces a more uncertain future as virtual meetings remain popular. The Omicron variant further complicates matters, likely weighing on near-term international traffic and potentially hurting domestic visits if the new strain evades vaccine protection.

New York City-Jersey City-White Plains will push past barriers and remain on the right track in early 2022. The continued return of office workers and visitors will promote real estate demand and consumer spending. But a series of foreboding downside risks around financial markets, new variants and remote work remain. Longer term, high costs and an iffy office outlook will drive subpar growth.

Adam Kamins *1-866-275-3266*
November 2021 *help@economy.com*

2015	2016	2017	2018	2019	2020	INDICATORS	2021	2022	2023	2024	2025	2026
1,054.6	1,079.6	1,095.0	1,128.6	1,164.6	1,108.0	Gross metro product (C12$ bil)	1,203.7	1,289.4	1,325.5	1,360.3	1,391.6	1,419.6
1.4	*2.4*	*1.4*	*3.1*	*3.2*	*-4.9*	*% change*	*8.6*	*7.1*	*2.8*	*2.6*	*2.3*	*2.0*
6,747.1	6,882.2	7,008.0	7,123.4	7,242.3	6,496.5	Total employment (ths)	6,593.5	6,925.3	7,072.7	7,144.5	7,167.8	7,174.5
2.5	*2.0*	*1.8*	*1.6*	*1.7*	*-10.3*	*% change*	*1.5*	*5.0*	*2.1*	*1.0*	*0.3*	*0.1*
5.4	4.9	4.4	4.0	3.6	11.2	Unemployment rate (%)	8.6	5.1	4.2	4.1	4.3	4.5
4.5	4.0	6.7	4.0	3.4	5.3	Personal income growth (%)	6.7	2.1	4.9	4.8	4.2	3.9
63.3	65.9	69.1	72.5	76.1	72.8	Median household income ($ ths)	74.2	74.4	76.9	79.7	82.4	85.2
14,262.8	14,280.7	14,266.0	14,222.0	14,172.5	14,141.2	Population (ths)	14,133.9	14,162.7	14,196.6	14,218.7	14,233.9	14,246.8
0.3	*0.1*	*-0.1*	*-0.3*	*-0.3*	*-0.2*	*% change*	*-0.1*	*0.2*	*0.2*	*0.2*	*0.1*	*0.1*
-46.8	-72.4	-99.3	-118.0	-116.6	-88.8	Net migration (ths)	-53.8	-33.3	-26.1	-35.6	-40.8	-40.9
6,823	6,637	7,212	6,989	7,850	7,824	Single-family permits (#)	8,674	11,194	12,173	12,337	12,432	11,818
67,017	27,073	33,942	32,008	42,629	36,593	Multifamily permits (#)	33,273	32,393	32,243	31,495	29,885	27,498
233.4	241.8	253.0	263.7	272.1	281.4	FHFA house price (1995Q1=100)	300.8	319.0	336.7	348.4	355.6	360.6

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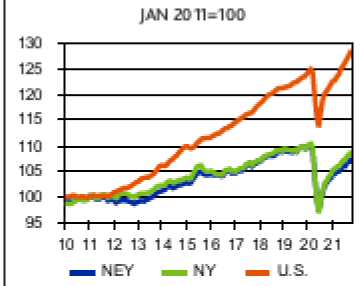
ECONOMIC HEALTH CHECK

3-MO MA	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
Employment, change, ths	22.0	20.4	21.4	24.7	29.7	29.9
Unemployment rate, %	9.4	9.1	8.9	8.7	8.5	8.3
Labor force participation rate, %	62.1	61.9	61.5	61.3	61.2	61.2
Average weekly hours, #	33.8	33.8	33.8	33.8	33.7	33.8
Industrial production, 2012=100	95.8	96.3	96.4	97.1	96.7	96.9
Residential permits, single-family, #	9,048	7,875	6,972	7,516	7,538	8,411
Residential permits, multifamily, #	30,157	33,675	32,397	36,407	33,454	33,748
Dec/Dec	**Dec 15**	**Dec 16**	**Dec 17**	**Dec 18**	**Dec 19**	**Dec 20**
Employment, change, ths	147.7	118.6	132.3	119.2	93.6	-848.9

Better than prior 3-mo MA | Unchanged from prior 3-mo MA | Worse than prior 3-mo MA

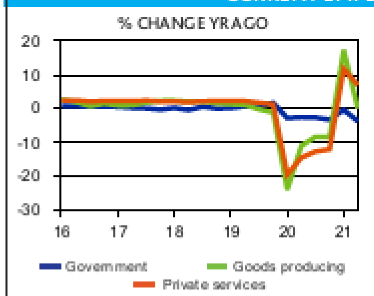
Sources: BLS, Census Bureau, Moody's Analytics

BUSINESS CYCLE INDEX



Source: Moody's Analytics

CURRENT EMPLOYMENT TRENDS



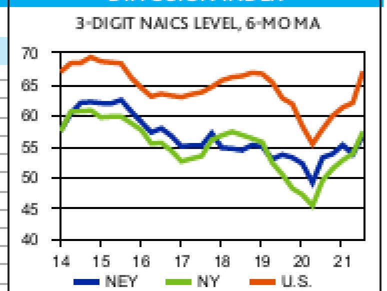
Sources: BLS, Moody's Analytics

% CHANGE YR AGO, 3-MO MA

	Oct 20	Apr 21	Oct 21
Total	-11.8	-4.4	4.0
Mining	9.8	23.5	6.5
Construction	-8.9	1.2	-4.6
Manufacturing	-12.2	-1.1	3.1
Trade	-13.0	-2.3	3.0
Trans/Utilities	-9.2	-2.8	3.0
Information	-9.5	-5.0	7.3
Financial Activities	-4.8	-2.8	-1.4
Prof & Business Svcs.	-10.2	-3.3	4.6
Edu & Health Svcs.	-7.3	-1.5	3.9
Leisure & Hospitality	-42.5	-24.2	26.7
Other Services	-19.7	-6.9	3.6
Government	-1.7	-2.7	-0.6

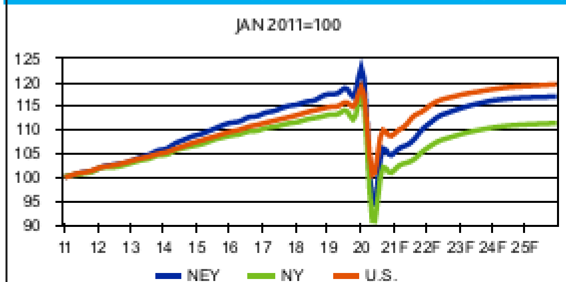
Sources: BLS, Moody's Analytics

DIFFUSION INDEX



Sources: BLS, Moody's Analytics

RELATIVE EMPLOYMENT PERFORMANCE

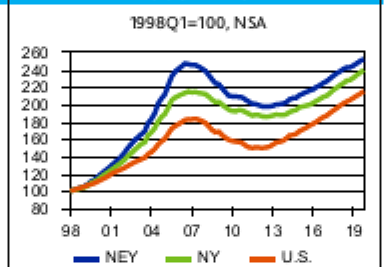


FORECAST VS. 6 MO PRIOR

2-Yr	5-Yr
↓	↓
↓	↓
↑	↔

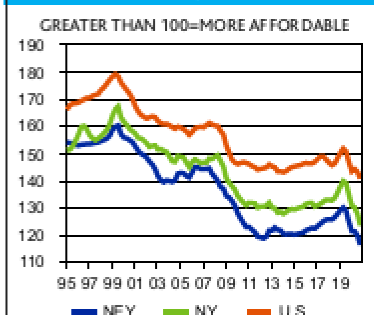
Sources: BLS, Moody's Analytics

HOUSE PRICE



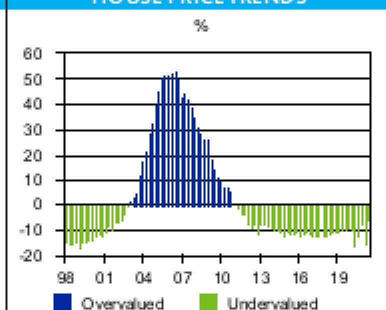
Sources: FHFA, Moody's Analytics

RENTAL AFFORDABILITY



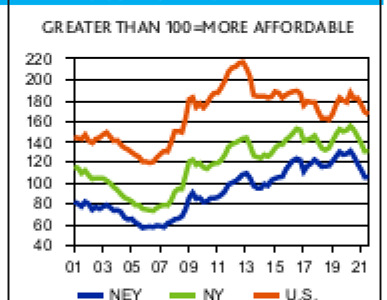
Sources: Census Bureau, BLS, Moody's Analytics

HOUSE PRICE TRENDS



Sources: FHFA, Moody's Analytics

HOUSING AFFORDABILITY



Sources: NAR, Moody's Analytics

 BBG

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EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

Montefiore Health System	32,232
Mount Sinai Health System	32,074
JPMorgan Chase & Co.	29,000
Bank of America	27,000
New York-Presbyterian Healthcare System	23,709
NYU Langone Medical Center	23,491
Macy's Inc.	22,100
Verizon Communications	16,973
Columbia University	16,136
Citigroup Inc.	15,878
Morgan Stanley	15,380
Memorial Sloan-Kettering Cancer Center	14,908
City University of New York	13,777
PwC	11,429
Staffing Alternatives	11,382
Delta Air Lines Inc.	10,851
Time Warner Inc.	10,337
American Airlines	10,280
Archdiocese of New York	10,265
Rutgers, The State University of New Jersey	10,000

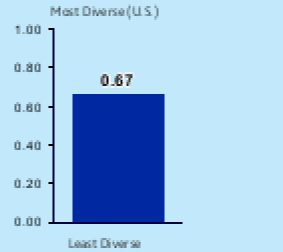
Sources: Crain's New York Business Book of Lists - 2017, CUNY, 2017, nj.com, 2017, NJBIZ Business Book of Lists - 2018

PUBLIC

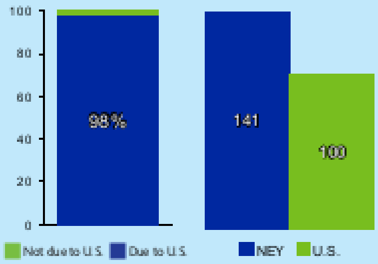
Federal	77,840
State	93,311
Local	746,310

2020

INDUSTRIAL DIVERSITY



EMPLOYMENT VOLATILITY



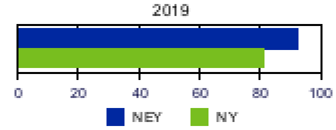
COMPARATIVE EMPLOYMENT AND INCOME

Sector	% OF TOTAL EMPLOYMENT NEY	NY	U.S.	AVERAGE ANNUAL EARNINGS NEY	NY	U.S.
Mining	0.0	0.1	0.4	nd	$137,510	$149,227
Construction	3.7	4.1	5.1	$88,970	$83,488	$72,704
Manufacturing	2.8	4.6	8.6	$92,900	$85,214	$87,349
Durable	*42.6*	*58.0*	*62.2*	*nd*	*$90,653*	*$90,269*
Nondurable	*57.4*	*42.0*	*37.8*	*nd*	*$77,876*	*$82,480*
Transportation/Utilities	3.9	3.1	4.3	$63,291	$64,721	$64,132
Wholesale Trade	3.8	3.4	4.0	$114,050	$103,232	$93,314
Retail Trade	8.5	9.1	10.4	$49,951	$43,786	$38,497
Information	3.9	3.0	1.9	$218,409	$199,593	$138,543
Financial Activities	9.5	8.1	6.1	$120,750	$104,838	$63,325
Prof. and Bus. Services	16.6	14.2	14.2	$114,070	$103,289	$76,981
Educ. and Health Services	22.4	22.8	16.3	$64,277	$63,144	$59,276
Leisure and Hosp. Services	6.8	7.2	9.4	$51,450	$45,501	$31,583
Other Services	3.9	3.9	3.8	$48,532	$45,417	$39,692
Government	14.1	16.4	15.4	$117,496	$108,914	$82,503

Sources: Percent of total employment — BLS, Moody's Analytics, 2020, Average annual earnings — BEA, Moody's Analytics, 2019

ENTREPRENEURSHIP

BROAD-BASED START-UP RATE
U.S.=100, 4-QTR MA
2019



Sources: Census Bureau, Moody's Analytics

EXPORTS

Product	$ mil
Food and kindred products	ND
Chemicals	15,356.1
Primary metal manufacturing	5,803.7
Fabricated metal products	ND
Machinery, except electrical	ND
Computer and electronic products	8,976.1
Transportation equipment	3,660.9
Miscellaneous manufacturing	21,318.4
Other products	32,250.5
Total	87,365.7

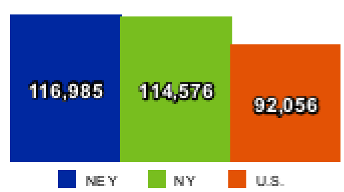
Destination	$ mil
Africa	1,584.3
Asia	30,671.3
European Union	23,144.0
Canada & Mexico	17,696.4
South America	2,950.4
Rest of world	11,319.3
Total	87,365.7

% of GDP	*4.8*
Rank among all metro areas	*173*

Sources: BEA, International Trade Administration, Moody's Analytics, 2019

PRODUCTIVITY

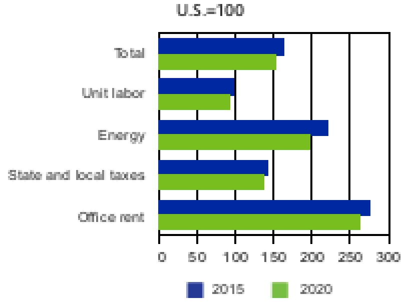
REAL OUTPUT PER WORKER, $



Sources: BEA, Moody's Analytics, 2020

BUSINESS COSTS

U.S.=100



Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
NEY	354.1	5.5
U.S.	7,540.4	5.3

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
NEY	594.9	9.2
U.S.	14,373.7	10.1

Source: Moody's Analytics, 2020

LEADING INDUSTRIES BY WAGE TIER

	NAICS	Industry	Location Quotient	Employees (ths)
HIGH	6221	General medical and surgical hospitals	1.1	234.4
	5231	Sec. & comm. contracts intermed. & brkg.	5.7	117.2
	5511	Management of companies & enterprises	1.1	116.8
	6211	Offices of physicians	1.0	113.1
MID	GVL	Local Government	1.1	754.6
	6113	Colleges, universities & prof. schools	1.8	143.2
	5613	Employment services	0.8	137.0
	GVS	State Government	0.4	96.5
LOW	7225	Restaurants and other eating places	0.8	396.4
	6216	Home health care services	2.6	162.5
	6241	Individual and family services	1.5	154.9
	4451	Grocery stores	1.0	119.5

Source: Moody's Analytics, 2020

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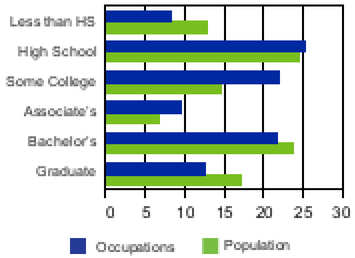
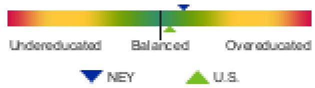
SKILLS MISMATCH

% OF TOTAL





Sources: Census Bureau, ACS, Moody's Analytics, 2018

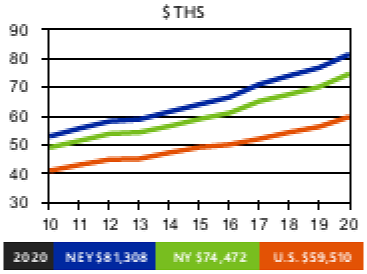
ECONOMIC DISENFRANCHISEMENT

Index	2019	Rank*
Gini coefficient	0.53	10
Palma ratio	4.3	2
Poverty rate	14.1%	145

**Most unequal=1; Most equal=403*

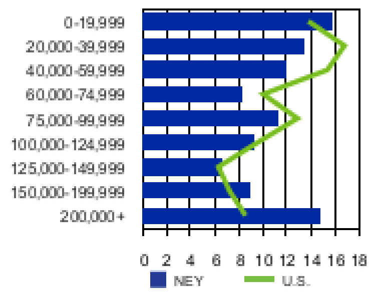
PER CAPITA INCOME

$ THS



Sources: BEA, Moody's Analytics

HOUSEHOLDS BY INCOME, %



Sources: Census Bureau, ACS, Moody's Analytics, 2019

MIGRATION FLOWS

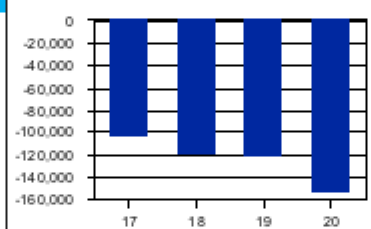
INTO NEW YORK NY

	Number of Migrants
Newark NJ	38,573
Nassau County NY	25,187
Bridgeport CT	6,564
Washington DC	5,961
Los Angeles CA	5,849
Dutchess County NY	4,567
Chicago IL	4,135
Trenton NJ	4,051
Philadelphia PA	4,003
Boston MA	3,489
Total in-migration	*243,234*

FROM NEW YORK NY

Newark NJ	53,417
Nassau County NY	45,918
Bridgeport CT	12,478
Los Angeles CA	10,733
Dutchess County NY	8,727
Orlando FL	8,121
Atlanta GA	7,534
Philadelphia PA	7,145
Washington DC	6,707
Tampa FL	6,359
Total out-migration	*399,684*
Net migration	**-156,450**

NET MIGRATION, #

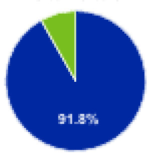


	2017	2018	2019	2020
Domestic	-176,550	-174,315	-164,704	-187,700
Foreign	77,572	56,792	46,877	37,857
Total	-98,978	-117,523	-117,827	-149,843

Sources: IRS (top), 2018, Census Bureau, Moody's Analytics

COMMUTER FLOWS

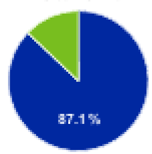
RESIDENTS WHO WORK IN NEY



Top Outside Sources of Jobs

New York NY	Share
Newark NJ	3.9
Nassau County NY	1.9
Trenton NJ	0.5
Bridgeport CT	0.5
Dutchess County NY	0.2

WORKERS WHO LIVE IN NEY



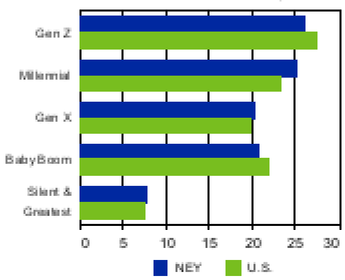
Top Outside Sources of Workers

New York NY	Share
Newark NJ	4.4
Nassau County NY	4.3
Dutchess County NY	0.9
Bridgeport CT	0.8
Trenton NJ	0.4

Sources: Census Bureau, Moody's Analytics, avg 2011-2015

GENERATIONAL BREAKDOWN

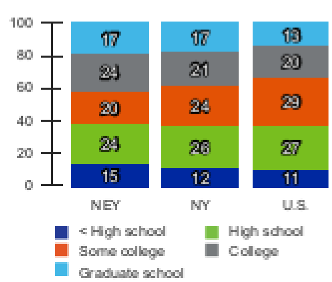
POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2019

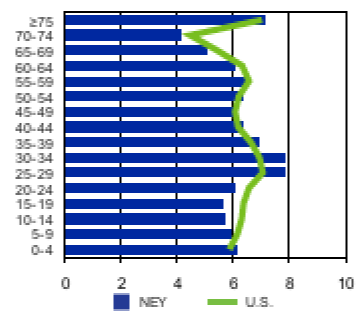
EDUCATIONAL ATTAINMENT

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2019

POPULATION BY AGE, %



Sources: Census Bureau, Moody's Analytics, 2020

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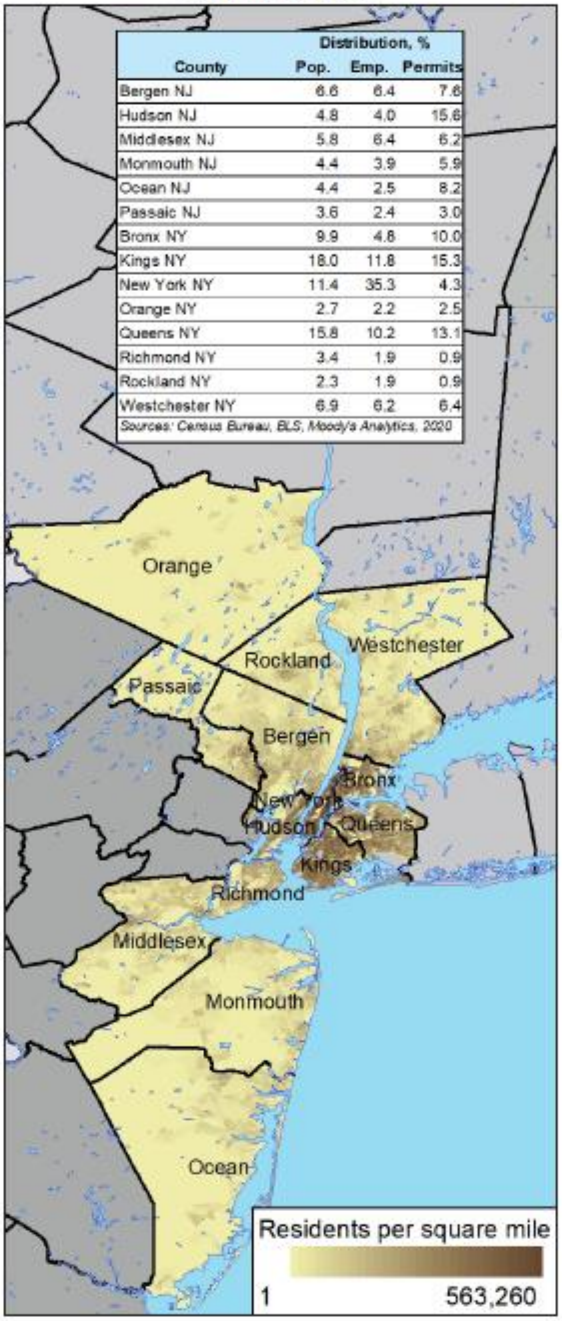
GEOGRAPHIC PROFILE

POPULATION DENSITY



County	Distribution, % Pop.	Emp.	Permits
Bergen NJ	6.6	6.4	7.6
Hudson NJ	4.8	4.0	15.6
Middlesex NJ	5.8	6.4	6.2
Monmouth NJ	4.4	3.9	5.9
Ocean NJ	4.4	2.5	8.2
Passaic NJ	3.6	2.4	3.0
Bronx NY	9.9	4.8	10.0
Kings NY	18.0	11.8	15.3
New York NY	11.4	35.3	4.3
Orange NY	2.7	2.2	2.5
Queens NY	15.8	10.2	13.1
Richmond NY	3.4	1.9	0.9
Rockland NY	2.3	1.9	0.9
Westchester NY	6.9	6.2	6.4

Sources: Census Bureau, BLS, Moody's Analytics, 2020

Sources: ACS, Moody's Analytics

MEDIAN HOUSEHOLD INCOME

MEDIAN COMMUTE TIME

POPULATION & HOUSING CHARACTERISTICS

	Units	Value	Rank*
Total area	sq mi	4,416.8	61
Total water area	sq mi	828.4	21
Total land area	sq mi	3,588.7	71
Land area - developable	sq mi	3,401.3	19
Land area - undevelopable	sq mi	187.1	266
Population density	pop. to developable land	4,186.6	7
Total population	ths	14,088.3	1
U.S. citizen at birth	% of population	61.8	399
Naturalized U.S. citizen	% of population	20.4	5
Not a U.S. citizen	% of population	14.4	9
Median age		37.8	242
Total housing units	ths	4,894.5	1
Owner occupied	% of total	35.4	390
Renter occupied	% of total	56.1	1
Vacant	% of total	8.5	277
1-unit; detached	% of total	17.4	402
1-unit; attached	% of total	6.7	79
Multifamily	% of total	75.7	1
Median year built		1954	

** Areas & pop. density, out of 410 metro areas/divisions, including metros in Puerto Rico; all others, out of 403 metros.*

Sources: Census Bureau, Moody's Analytics, 2019 except land area 2010

DEMOGRAPHIC OVERVIEW

The following demographic profile, assembled by Environics Analytics, a nationally recognized compiler of demographic data, reflects the subject's zip code (11217) and market (Kings). The area is projected to have a 2020 population of 39,886 in 18,666 household units. The current projections, as forecasted by Environics Analytics, are as follows:

UNIVERSE TOTALS

	11217			Kings		
Description	2022 Estimate	% Change 2010-2022	% Change 2022-2027	2022 Estimate	% Change 2010-2022	% Change 2022-2027
Universe Totals						
Population	39,886	14.03%	5.63%	2,650,753	5.83%	4.96%
Households	18,666	17.22%	6.29%	988,944	7.86%	5.51%
Families	7,991	14.30%	6.13%	612,975	6.91%	5.33%
Housing Units	19,940			1,076,060		

HOUSEHOLD INCOME

The estimated average household income is $207,405, while the median income is $153,301. Approximately 11.0% of households have an income of less than $25,000, while 50.9% of the households earn over $150,000 per year.

HOUSEHOLDS BY HOUSEHOLD INCOME				
Description	11217	% of Total	Kings	% of Total
2022 Est. Households by Household Income	18,666		988,944	
Income < $15,000	1,331	7.1%	119,479	12.1%
Income $15,000 - $24,999	713	3.8%	80,693	8.2%
Income $25,000 - $34,999	678	3.6%	70,277	7.1%
Income $35,000 - $49,999	950	5.1%	93,604	9.5%
Income $50,000 - $74,999	1,406	7.5%	130,670	13.2%
Income $75,000 - $99,999	1,399	7.5%	106,815	10.8%
Income $100,000 - $124,999	1,397	7.5%	86,900	8.8%
Income $125,000 - $149,999	1,290	6.9%	67,294	6.8%
Income $150,000 - $199,999	2,388	12.8%	85,124	8.6%
Income $200,000 - $249,999	1,744	9.3%	51,959	5.3%
Income $250,000 - $499,999	2,698	14.5%	56,959	5.8%
Income $500,000+	2,672	14.3%	39,170	4.0%
2022 Est. Average Household Income	$207,405		$114,586	
2022 Est. Median Household Income	$153,301		$74,947	

POPULATION CHARACTERISTICS

The neighborhood has an average age of 47 and a median age near 49. 42.99% of the area population is aged 54 and over, while 15.63% is younger than 18 years old.

AGE CHARACTERISTICS

2022 EST. POPULATION BY AGE				
Description	11217	% of Total	Kings	% of Total
Age 0-17	18	15.63%	611,285	23.07%
Age 18-34	27	18.52%	659,190	24.87%
Age 35-54	32	23.15%	692,162	26.11%
54 and above	23	42.99%	688,116	25.96%
2022 Est. Median Age	49		36	
2022 Est. Average Age	47		38	

In terms of household size, 39.4% of households are single persons, 33.6% have two persons, and 14.6% have 3 persons. Only 4.7% of households have five or more.

HOUSEHOLDS BY SIZE

2022 EST. HOUSEHOLDS BY HOUSEHOLD SIZE				
Description	11217	% of Total	Kings	% of Total
1-person	7,345	39.4%	297,793	30.1%
2-person	6,277	33.6%	275,487	27.9%
3-person	2,716	14.6%	165,753	16.8%
4-person	1,452	7.8%	118,196	12.0%
5-person	523	2.8%	64,383	6.5%
6-person	217	1.2%	34,179	3.5%
7-or-more-person	136	0.7%	33,153	3.4%

EDUCATIONAL ATTAINMENT

The population is relatively well educated. 8.4% have not earned a high school diploma in contrast to 36.59% with a bachelor's degree and 35.5% with advanced degrees.

EDUCATIONAL ATTAINMENT				
Description	11217	% of Total	Kings	% of Total
2022 Est. Pop Age 25+ by Edu. Attainment	30,772		1,836,477	
Less than 9th grade	1,090	3.54%	156,871	8.54%
Some High School, no diploma	1,491	4.85%	145,936	7.95%
High School Graduate (or GED)	2,760	8.97%	485,770	26.45%
Some College, no degree	2,319	7.54%	227,637	12.40%
Associate Degree	939	3.05%	108,466	5.91%
Bachelor's Degree	11,260	36.59%	428,068	23.31%
Master's Degree	7,171	23.30%	210,936	11.49%
Professional School Degree	2,579	8.38%	51,963	2.83%
Doctorate Degree	1,163	3.78%	20,830	1.13%

EMPLOYMENT DYNAMICS

According to Environics Analytics, 86.82% of workers are characterized as "white collar," while 4.07% are engaged in "blue collar" activities. 9.11% of the employed population works in the service and farm sectors. Within these broad categories, the largest employment sectors in the city are Arts/Entertainment/Sports (13.9%), Business/Financial Operations (10.4%), and Sales/Related (7.7%).

OCCUPATION CLASSIFICATION

OCCUPATION CLASSIFICATION				
Description	11217	% of Total	Kings	% of Total
2022 Est. Pop 16+ by Occupation Classification	23,521		1,250,704	
White Collar	20,422	86.82%	788,120	63.01%
Blue Collar	957	4.07%	184,406	14.74%
Service and Farm	2,142	9.11%	278,178	22.24%

OCCUPATION BREAKDOWN

OCCUPATION				
Description	11217	% of Total	Kings	% of Total
2022 Est. Civ. Employed Pop 16+ by Occupation	23,521		1,250,704	
Architect/Engineer	477	2.03%	14,244	1.14%
Arts/Entertainment/Sports	3,274	13.92%	82,114	6.57%
Building Grounds Maintenance	469	1.99%	44,374	3.55%
Business/Financial Operations	2,449	10.41%	70,529	5.64%
Community/Social Services	510	2.17%	28,707	2.30%
Computer/Mathematical	1,580	6.72%	42,248	3.38%
Construction/Extraction	225	0.96%	55,301	4.42%
Education/Training/Library	1,758	7.47%	90,130	7.21%
Farming/Fishing/Forestry	16	0.07%	518	0.04%
Food Prep/Serving	511	2.17%	65,448	5.23%
Health Practitioner/Technician	1,103	4.69%	64,379	5.15%
Healthcare Support	359	1.53%	88,637	7.09%
Maintenance Repair	120	0.51%	20,324	1.63%
Legal	1,496	6.36%	25,358	2.03%
Life/Physical/Social Science	496	2.11%	9,921	0.79%
Management	4,303	18.29%	124,154	9.93%
Office/Admin. Support	1,175	5.00%	128,047	10.24%
Production	304	1.29%	27,310	2.18%
Protective Services	271	1.15%	34,372	2.75%
Sales/Related	1,801	7.66%	108,289	8.66%
Personal Care/Service	516	2.19%	44,829	3.58%
Transportation/Moving	308	1.31%	81,471	6.51%

TRANSIT DYNAMICS

There are good links to employment centers via public transport and the local highway network. Based on its urban location, roughly 5.34% of the employed drove alone to work. Given strong public transit service, 72.67% traveled by public transportation. The average travel time is roughly 39 minutes. Within this, roughly 5.2% of workers travel less than 15 minutes, while 27% live within 30 minutes of their jobs. The remaining workers travel in excess of a half hour. 9.7% work an hour or more away from home.

TRANSPORTATION TO WORK

TRANSPORTATION TO WORK				
Description	11217	% of Total	Kings	% of Total
2022 Est. Workers Age 16+ by Transp. to Work	23,071		1,220,524	
Drove Alone	1,232	5.34%	219,468	17.98%
Car Pooled	234	1.01%	48,492	3.97%
Public Transportation	16,766	72.67%	753,258	61.72%
Walked	1,987	8.61%	104,254	8.54%
Bicycle	668	2.90%	22,170	1.82%
Other Means	369	1.60%	15,796	1.29%
Worked at Home	1,815	7.87%	57,086	4.68%

TRAVEL TIME TO WORK

TRAVEL TIME TO WORK				
Description	11217	% of Total	Kings	% of Total
2022 Est. Workers Age 16+ by Travel Time to Work	21,300		1,165,607	
Less than 15 Minutes	1,100	5.2%	84,273	7.2%
15 - 29 Minutes	4,694	22.0%	177,778	15.3%
30 - 44 Minutes	9,181	43.1%	334,105	28.7%
45 - 59 Minutes	4,249	19.9%	230,554	19.8%
60 or more Minutes	2,076	9.7%	338,897	29.1%
2022 Est. Avg Travel Time to Work in Minutes	39		48	

HOUSING DYNAMICS

Housing units are mostly renter occupied (73.41%), with 26.59% owner occupied. Reflecting this dynamic, the distribution of housing units is skewed towards single unit and two- to four-unit homes which makes up 38.6% of the total.

TENURE OF OCCUPIED HOUSING UNITS

OCCUPIED HOUSING UNITS BY TENURE				
Description	11217	% of Total	Kings	% of Total
2022 Est. Occupied Housing Units by Tenure	18,666		988,944	
Owner Occupied	4,963	26.59%	270,411	27.34%
Renter Occupied	13,703	73.41%	718,533	72.66%

HOUSING BY UNITS IN STRUCTURE

HOUSING UNITS BY UNITS IN STRUCTURE				
Description	11217	% of Total	Kings	% of Total
2022 Est. Housing Units by Units in Structure	19,908		1,075,592	
1 Unit Attached	843	4.23%	94,369	8.77%
1 Unit Detached	349	1.75%	56,638	5.27%
2 Units	2,472	12.42%	191,875	17.84%
3 or 4 Units	4,013	20.16%	176,741	16.43%
5 to 19 Units	4,707	23.64%	179,063	16.65%
20 to 49 Units	1,674	8.41%	137,559	12.79%
50 or More Units	5,836	29.31%	237,862	22.11%
Mobile Home or Trailer	14	0.07%	1,485	0.14%
Boat, RV, Van, etc.	32	0.16%	468	0.04%

New development in the neighborhood represents 13.54% of the total stock added in this period. Given the overwhelming presence of older housing stock, the median year built is 1940.

HOUSING BY YEAR STRUCTURE BUILT

HOUSING UNITS BY YEAR STRUCTURE BUILT				
Description	11217	% of Total	Kings	% of Total
2022 Est. Housing Units by Year Structure Built	19,940		1,076,060	
Housing Units Built 2014 or Later	2,700	13.54%	78,161	7.26%
Housing Units Built 2010 to 2013	667	3.35%	16,376	1.52%
Housing Units Built 2000 to 2009	1,542	7.73%	53,681	4.99%
Housing Units Built 1990 to 1999	488	2.45%	30,019	2.79%
Housing Units Built 1980 to 1989	450	2.26%	30,097	2.80%
Housing Units Built 1970 to 1979	784	3.93%	53,183	4.94%
Housing Units Built 1960 to 1969	941	4.72%	106,144	9.86%
Housing Units Built 1950 to 1959	1,068	5.36%	107,128	9.96%
Housing Units Built 1940 to 1949	964	4.83%	86,812	8.07%
Housing Unit Built 1939 or Earlier	10,336	51.84%	514,459	47.81%

The median owner-occupied home value is $2,000,000, with 82% of homes valued at $1,000,000 or more.

OWNER OCCUPIED HOUSING VALUES

OWNER-OCCUPIED HOUSING UNITS BY VALUE				
Description	11217	% of Total	Kings	% of Total
2022 Est. Owner-Occupied Housing Units by Value	4,963		270,411	
Value Less than $20,000	24	0.48%	2,910	1.08%
Value $20,000 - $39,999	10	0.20%	1,117	0.41%
Value $40,000 - $59,999	2	0.04%	942	0.35%
Value $60,000 - $79,999	3	0.06%	1,025	0.38%
Value $80,000 - $99,999	6	0.12%	1,104	0.41%
Value $100,000 - $149,999	4	0.08%	3,039	1.12%
Value $150,000 - $199,999	15	0.30%	2,297	0.85%
Value $200,000 - $299,999	19	0.38%	6,551	2.42%
Value $300,000 - $399,999	45	0.91%	9,958	3.68%
Value $400,000 - $499,999	51	1.03%	14,447	5.34%
Value $500,000 - $749,999	217	4.37%	53,205	19.68%
Value $750,000 - $999,999	477	9.61%	51,832	19.17%
Value $1,000,000 - $1,499,999	859	17.31%	57,326	21.20%
Value $1,500,000 - $1,999,999	613	12.35%	27,758	10.27%
Value $2,000,000 or more	2,618	52.75%	36,900	13.65%
2022 Est. Median All Owner-Occupied Housing Value	$2,000,000		$930,946	

SITE DESCRIPTION

INTRODUCTION

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources. See the *Data Sources Used Within This Appraisal* table in the Scope of Work section for more detail.

GENERAL DESCRIPTION OVERVIEW			
Location	The subject property is located on the northeast corner of Flatbush Avenue Extension and Tillary Street in Brooklyn, New York.		
Parcel Number	3001207503		
Legal Description	Block 120, Lot 1201 Block 120, Lot 1202 Block 120, Lot 1203		
Site Area			
Primary Site	19,135 square feet	(0.4393 acres)	
Utilities/Municipal Services	Typical utilities and municipal services available to site.		
Floodplain	**Zone**	**Map**	**Date**
	Zone X (Unshaded)	3604970203F	September 5, 2007
	Zone X (unshaded) is a Non-Special Flood Hazard Area (NSFHA) of minimal flood hazard, usually depicted on Flood Insurance Rate Maps (FIRM) as above the 500-year flood level. This is an area in a low to moderate risk flood zone that is not in any immediate danger from flooding caused by overflowing rivers or hard rains. In communities that participate in the National Flood Insurance Program (NFIP), flood insurance is available to all property owners and renters in this zone.		
Environmental Concerns	No unusual conditions observed. No studies provided. Site is assumed to be free of any environmental concerns.		
Frontage	256.17' Flatbush Avenue Extension; 40.75' Tillary Street; 209' Duffield Street		
Access	Garage access via Flatbush Avenue Extension and Duffield Street		
Comments	No unusual comments to note.		

ZONING ANALYSIS

MAP

ZONING	
Designation	C6-2
Description	Commercial
Zoning Intent	C6 districts permit a wide range of high-bulk commercial uses requiring a central -location. Most C6 districts are in Manhattan, Downtown Brooklyn and Downtown Jamaica; a C6-3D district is mapped in the Civic Center area of the Bronx. Corporate headquarters, large hotels, department stores and entertainment facilities in high-rise mixed buildings are permitted in C6 districts. C6-1, C6-2 and most C6-3 districts, typically mapped in areas outside central business cores, such as the Lower East Side and Chelsea, have a commercial floor area ratio (FAR) of 6.0; the C6-3D district has an FAR of 9.0. C6-4 through C6-9 districts, typically mapped within the city's major business districts, have a maximum FAR of 10.0 or 15.0, exclusive of any applicable bonus. Floor area may be increased by a bonus for a public plaza or Inclusionary Housing.
Compliance	The subject is a legal non-compliant bulk in this zoning district as of right.

ZONING REQUIREMENTS	
Subject Floor Area Ratio	7.87
Max Floor Area Ratio	6.5

General Central Commercial District

C6	C6-1	C6-2	C6-3	C6-4 / C6-8	C6-5	C6-7	C6-6 / C6-9	C6-1A	C6-2A	C6-3A	C6-3D	C6-3X	C6-4A	C6-4X
Commercial FAR	6.0			10.0		15.0		6.0			9.0	6.0	10.0	
Residential District Equivalent	R7-2	R8	R9	R10				R6	R8A	R9A	R9D	R9X	R10A	R10X
Required Accessory Parking PRC-B	None													
Permitted Sign Regulations (surface area)	5 X street frontage (500 of total)				No restriction		5 X street frontage (500 of total)							

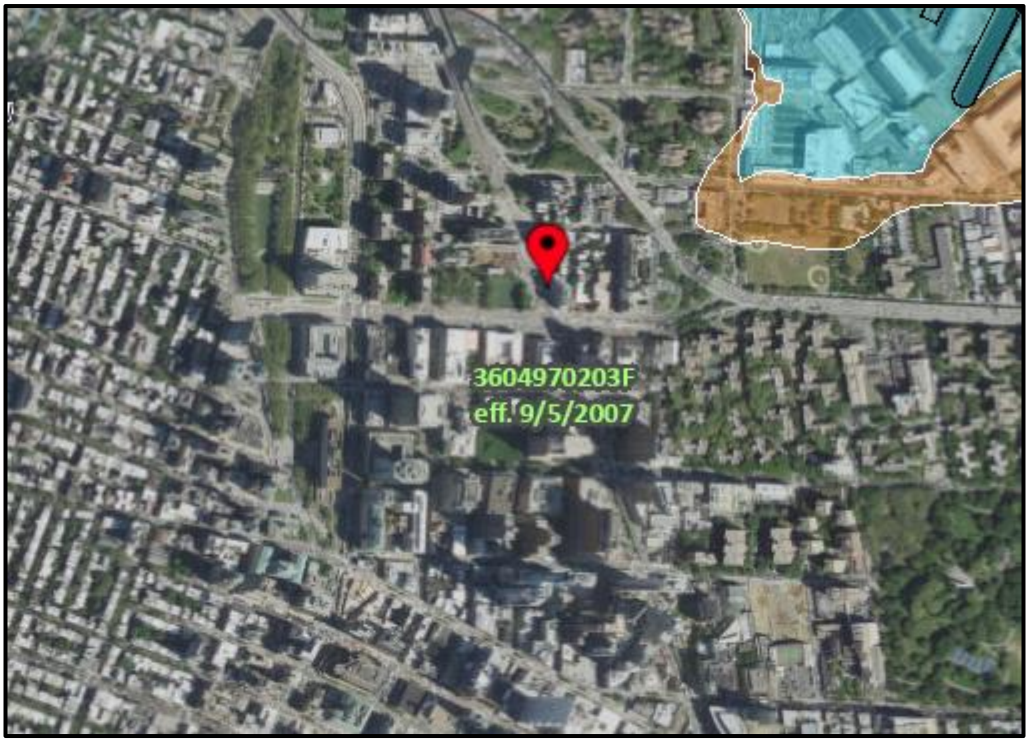
Conclusion: According to NYC Planning, the maximum FAR for community uses with sleeping accommodations in the C6-2 zoning district is 6.50. Therefore, the subject is noncompliant in bulk as the subject's FAR is 7.87.

Notes:

It should be noted that zoning ordinances are complex and often require the assistance of an architect or zoning lawyer. For a more definitive interpretation of the Zoning Resolution, one of these sources should be consulted.

We know of no deed restrictions, private or public, that further limit the subject's use. The research required to determine whether or not such restrictions are existing is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter, and only a title examination by an attorney or title company can uncover such restrictive covenants. As such, to determine if any such restrictions do exist, a title search should be conducted.

FLOOD MAP



Conclusion

According to the Federal Emergency Management Agency, the subject is located on flood panel number 3604970203F, which has an effective date of September 5, 2007. The subject is reported to be located within Flood Insurance Zone X (Unshaded), which is not located in the 100-year flood plain.

The subject site benefits from good location characteristics for shelter uses. There are no known factors which could prevent the site from being developed to its highest and best use, as if vacant, or adverse to the existing use of the site.

IMPROVEMENTS DESCRIPTION

GENERAL DESCRIPTION OVERVIEW	
Address	85 Flatbush Avenue Ext. Brooklyn, New York 11201
Property Description	Special (Shelter)
Year Built	2013
Number of Buildings	1
Number of Stories	12
Building Construction Class	B
Gross Building Area	150,688 square feet
Hotel GBA	90,559 square feet
Residential GBA	60,129 square feet
Total Number of Units	238
Hotel Units	174
Residential Units	64
Floor-Area Ratio	7.87
Land-to-Building Ratio	0.13 : 1

CONSTRUCTION DETAIL	
General Layout	The subject is comprised of a 12-story mixed-use condominium, with 64 residential units and 174 hotel rooms totaling 238 rooms that is currently operated as a homeless shelter.
Foundation	Poured concrete slab
Construction	Steel and masonry
Floor Structure	Steel and masonry
Exterior Walls	Metal
Roof Type	Flat
Roof Cover	Sealed membrane
Windows	Double-pane, metal

INTERIOR DETAIL	
Interior Walls	Plaster
Ceilings	Drywall
Floor Coverings	Tiled and carpeted flooring
Doors	Wood laminate
Lighting	Fluorescent and Incandescent
Restrooms	Ceramic tile floors and walls, porcelain sinks, showers, and toilets

MECHANICAL DETAIL	
Heating	Forced Air
Cooling	HVAC
Plumbing	Assumed to code and adequate.
Electrical	Assumed to code and adequate.
Fire Protection	Wet system

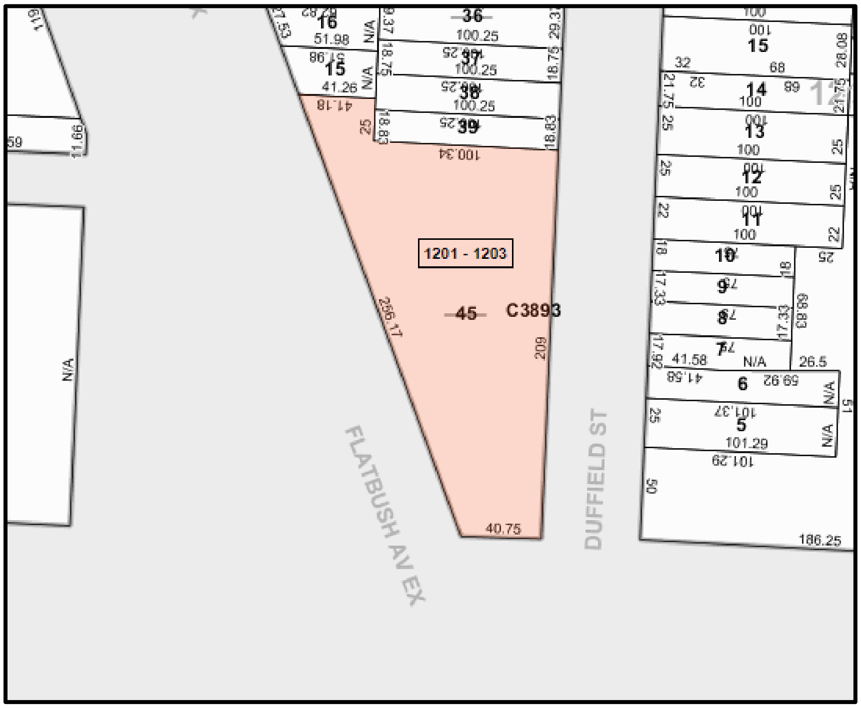
SITE IMPROVEMENTS	
Parking Type	Below grade lot
Amenities	Lobby, fitness center, restaurant, ballroom, laundry

RENOVATION/DEFERRED MAINTENANCE	
Recent Renovations or Replacements	n/a
Deferred Maintenance	n/a
Cost to Cure	0

SUMMARY	
Building Condition	Good
	We did not inspect the roof of the building(s) nor make a detailed inspection of the mechanical systems. We are not qualified to render an opinion as to the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed about the adequacy and condition of mechanical systems.
Building Quality	Good
Design and Functionality	Good
Actual Age	9 years
Expected Economic Life	50 years
Effective Age	5 years
Remaining Economic Life	45 years
Comments	N/A

PROPERTY TAX ANALYSIS

TAX MAP



PROPERTY ASSESSMENT AND TAX DATA

The subject property is designated on the New York City tax maps as Block 120, Lots 1201, 1202, and 1203. Increases in assessed value for residential and commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phased-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over. The taxes will be based on the lower of the transitional or actual assessed values. Therefore, the transitional assessment will be applied.

TAX RATES

The City of New York has four tax categories for real properties, of which the subject is **Class 2** and **Class 4**. The following is a historical analysis of tax rates

Year	Class 1	Class 2	Class 3	Class 4
2009/2010	17.088	13.241	12.743	10.426
2010/2011	17.364	13.353	12.631	10.312
2011/2012	18.205	13.433	12.473	10.152
2012/2013	18.569	13.181	12.477	10.288
2013/2014	19.191	13.145	11.902	10.323
2014/2015	19.157	12.855	11.125	10.684
2015/2016	19.554	12.883	10.813	10.656
2016/2017	19.991	12.892	10.943	10.574
2017/2018	19.991	12.719	11.891	10.514
2018/2019	20.919	12.612	12.093	10.514
2019/2020	21.167	12.473	12.536	10.537
2020/2021	21.045	12.267	12.826	10.694
2021/2022	19.963	12.235	12.289	10.755

Source: Historical Rates Provided by New York City Department of Finance for 2003/2004 through 2021/22

The city's tax year runs on a fiscal year from July to June. Properties in New York City are assessed every year. Increases in assessed value for commercial properties are phased in over a five-year transitional period. The "Transitional" assessed value represents the phase-in, and the "Actual" assessed value represents the future or target assessment when the transitional or phase-in period is over.

The 2022/2023 tax rates are not yet available, so we will project the taxes using the 2021/2022 tax rate. The following table summarizes the subject's real property taxation and our projection of real property taxes.

The tax analysis will be separated into an analysis of the Tax Class 4 portion of the property and the Tax Class 2 portion of the property. Block 120, Lots 1201 and 1202 are both assessed as Tax Class 4 properties and account for 90,559 square feet of the total GBA. Block 120, Lot 1203 is assessed as a Tax Class 2 property and accounts for 60,129 square feet of the total GBA.

REAL ESTATE ASSESSMENT AND TAXES				
Tax ID No. (Class 4)		2021/2022 Final	2022/2023 Tentative	Pro Forma
Block 120, Lot 1201		$855,900	$936,720	
Block 120, Lot 1202		$6,937,650	$7,337,700	
Tax Value Subtotal		$7,793,550	$8,274,420	$8,274,420
General Tax Rate	per $100	10.7550	10.7550	10.7550
Property Taxes		**$838,196**	**$889,914**	**$889,914**
Special/Direct Assessments		$0	$0	$0
Total Taxes		**$838,196**	**$889,914**	**$889,914**
Total Taxes PSF		**$9.26**	**$9.83**	**$9.83**

REAL ESTATE ASSESSMENT AND TAXES				
Tax ID No. (Class 2)		2021/2022 Final	2022/2023 Tentative	Pro Forma
Block 120, Lot 1203		$8,426,660	$8,151,300	
Assessed Value @	100.00%	$8,426,660	$8,151,300	$8,151,300
General Tax Rate	per $100	12.2350	12.2350	12.2350
Property Taxes		**$1,031,002**	**$997,312**	**$997,312**
Special/Direct Assessments		$0	$0	$0
Total Taxes		**$1,031,002**	**$997,312**	**$997,312**
Total Taxes PSF		**$17.15**	**$16.59**	**$16.59**

TAX COMPARABLES

The following charts summarize the tax comparables of properties with a similar tax class designation. Similar to the subject tax analysis, the tax comparables will be analyzed in two parts: Tax Class 4 and Tax Class 2.

 BBG

REAL ESTATE TAX COMPARABLES - CLASS 4						
Property Address	Year Built	Bldg Size (GBA - SF)	Tax Value	Tax Value Per SF	Taxes	Taxes Per SF
Block 120, Lot 1201 & 1202	**2013**	**90,559**	$8,274,420	$91.37	$889,914	$9.83
101 Tech Place	2002	115,591	$9,046,800	$78.27	$972,983	$8.42
156-58 Tillary Street	2015	69,993	$7,144,650	$102.08	$768,407	$10.98
85 Flatbush Avenue Extension	2013	83,800	$7,337,700	$87.56	$789,170	$9.42
Comps Low	2002	69,993		$78.27		$8.42
Comps High	2015	115,591		$102.08		$10.98
Comps Average	2010	89,795		$89.30		$9.60

REAL ESTATE TAX COMPARABLES - CLASS 2						
Property Address	Year Built	Bldg Size (GBA - SF)	Tax Value	Tax Value Per SF	Taxes	Taxes Per SF
Block 120, Lot 1203	**2013**	**60,129**	$8,151,300	$135.56	$997,312	$16.59
68 Willoughby Street	1920	28,527	$3,658,500	$128.25	$447,617	$15.69
384 Bridge Street	2012	63,919	$8,497,418	$132.94	$1,039,659	$16.27
25 Monre Place	1938	60,720	$8,499,150	$139.97	$1,039,871	$17.13
Comps Low	1920	28,527		$128.25		$15.69
Comps High	2012	63,919		$139.97		$17.13
Comps Average	1957	51,055		$133.72		$16.36

The subject’s total unabated taxes equal $1,887,225 or $12.52 per square foot of total gross building area.

CONCLUSION

The subject’s unabated taxes $12.52 per square foot fall within the market range.

The subject property benefits from a 421(a) tax exemption on Block 120, Lots 1201 and 1203 that will be analyzed below. The benefits from the tax exemptions will be added to the concluded value below the line

421(A) TAX EXEMPTION

The 421(a) real estate tax exemption program was created in 1971 to spur residential development which was uncommon at the time. The program partially exempts real-estate taxes for newly constructed properties located outside of Manhattan's "exclusion zone," typically for a period of 15 to 25 years.

Eligible Projects

New construction of multiple dwellings on lots which were vacant, predominantly vacant or improved with a non-conforming use three years prior to the start of construction. Buildings in the exclusion area are not eligible unless they receive governmental assistance, contain 20% affordable units, or the owner participates in the 421-a Affordable Housing Production Program.

Benefits Granted

Construction period exemption (up to 3 years) plus 10-year (2 years full + 8 years phase out), 15-year (11 years full + 4 years phase out), 20-year (12 years full + 8 years phase out), or 25-year (21 years full + 4 years phase out) post-construction exemption from the increase in real estate taxes resulting from the work. The longer exemption periods apply in northern Manhattan, the other boroughs, other designated areas, and to projects that receive governmental assistance or contain 20% affordable units.

All market rate rental units become subject to rent stabilization for the duration of the benefits, with initial rents approved by the Tax Incentive Programs (TIP). Affordable rental units are rent stabilized for 35 years.

Procedural Requirements

Under this tax benefit program, increases in assessed value resulting from new development are phased-in over a period of 15 years. For years 1 through 11, fully 100% of the projected assessed value is exempt. The exemption falls to 80% in Year 12; 60% in Year 13; 40% in Year 14; and 20% in Year 15. The exemption expires at the end of the 15th year. The subject’s 15-year (11 years full + 4 years phase out).

Our calculation of the value of the 421(a) exemption is presented on the following page. Our analysis is based upon the following assumptions:

The following assumptions were made in our calculation:

- Base Assessed Value:2022/2023 Tax Year
- Annual Tax Rate Growth: 1.0%
- Annual Assessment Growth: 3.0%
- Discount Rate: 5.00%

In light of the recent rent stabilization laws, tax benefits have become more valuable while in-place income of rent stabilized units has been devalued. In regard to the subject property, it is a rent stabilized building and the 421A tax benefit creates incremental value. Since it is not a normal practice to underwrite zero taxes into perpetuity, the additional value of the tax benefit must be considered. Thus, considering the recent increase in value of tax benefits and decrease in value of rent stabilized units, the discount rate is reasonable.

Block 120, Lot 1201 ASSUMPTIONS	
Tax Class	4
Benefit Amount	$732,070
Base Year Assessed Value	$936,720
Annual Rate of Growth (Tax Rate):	1.0%
Annual Rate of Growth (Assessment):	3.00%
Discount Rate:	5.00%

BENEFIT YEAR	A.V.	BASE A.V.	MAXIMUM EXEMPTION	% OF EXEMPTION ALLOWED (PHASE OUT)	CURRENT EXEMPTION	TAXABLE A.V.	TAX RATE	FULL TAXES	NET TAXES	TAX SAVINGS	PV TAX SAVINGS
11	$936,720	$204,650	$732,070	100%	$732,070	$204,650	0.10755	$100,744	$22,010	$78,734	$74,985
12	$964,822	$204,650	$760,172	80%	$608,137	$356,684	0.10863	$104,804	$38,745	$66,059	$59,918
13	$993,766	$204,650	$789,116	60%	$473,470	$520,296	0.10971	$109,028	$57,083	$51,945	$44,872
14	$1,023,579	$204,650	$818,929	40%	$327,572	$696,008	0.11081	$113,422	$77,124	$36,298	$29,862
15	$1,054,287	$204,650	$849,637	20%	$169,927	$884,359	0.11192	$117,993	$98,975	$19,018	$14,901
										PROSPECTIVE VALUE OF TOTAL TAX SAVINGS:	**$224,538**
										ROUNDED:	**$200,000**

Block 120, Lot 1203 ASSUMPTIONS	
Tax Class	2
Benefit Amount	$6,360,194
Base Year Assessed Value	$8,151,300
Annual Rate of Growth (Tax Rate):	1.0%
Annual Rate of Growth (Assessment):	3.00%
Discount Rate:	5.00%

BENEFIT YEAR	A.V.	BASE A.V.	MAXIMUM EXEMPTION	% OF EXEMPTION ALLOWED (PHASE OUT)	CURRENT EXEMPTION	TAXABLE A.V.	TAX RATE	FULL TAXES	NET TAXES	TAX SAVINGS	PV TAX SAVINGS
11	$8,151,300	$1,791,106	$6,360,194	100%	$6,360,194	$1,791,106	0.12235	$997,312	$219,142	$778,170	$741,114
12	$8,395,839	$1,791,106	$6,604,733	80%	$5,283,786	$3,112,053	0.12357	$1,037,503	$384,567	$652,936	$592,232
13	$8,647,714	$1,791,106	$6,856,608	60%	$4,113,965	$4,533,749	0.12481	$1,079,315	$565,854	$513,461	$443,547
14	$8,907,146	$1,791,106	$7,116,040	40%	$2,846,416	$6,060,730	0.12606	$1,122,811	$763,999	$358,812	$295,195
15	$9,174,360	$1,791,106	$7,383,254	20%	$1,476,651	$7,697,709	0.12732	$1,168,060	$980,056	$188,004	$147,306
										PROSPECTIVE VALUE OF TOTAL TAX SAVINGS:	**$2,219,394**
										ROUNDED:	**$2,200,000**

The total of the two 421(a) exemptions is a rounded $2,400,000 and will be added below-the-line.

HIGHEST AND BEST USE

INTRODUCTION

The highest and best use is the reasonable, probable, and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and that results in the highest value. These criteria are often considered sequentially. The tests of legal permissibility and physical possibility must be applied before the remaining tests of financial feasibility and maximal productivity. A financially feasible use is precluded if it is legally prohibited or physically impossible. If a reasonable possibility exists that one of the prior, unacceptable conditions can be changed, is it appropriate to proceed with the analysis with such an assumption.

HIGHEST AND BEST USE CRITERIA

The site's highest and best use is analyzed both as vacant and as improved, and if improvements are proposed then an as proposed analysis is required. In all cases, the property's highest and best use must meet four criteria: (1) legally permissible; (2) physically possible; (3) financially feasible; and (4) maximally productive.

HIGHEST AND BEST USE AS VACANT

LEGALLY PERMISSIBLE

The subject property is located in a C6-2 Commercial zoning district with commercial, residential, community facility, and hotel uses permissible as of right. No known zoning changes to uses other than these are currently being considered or anticipated. The residential nature of the area, combined with the generally good condition of the area's improvements and the current and expected trends in supply and demand, all support the current zoning. It is our opinion that the site, if vacant, could be developed for the above legally permitted uses.

PHYSICALLY POSSIBLE

The subject site, containing approximately 19,135± square feet, is good size and level with good street access and exposure, good street improvements, all necessary available utilities, and no apparent easements or encroachments that would hinder or prevent development. The subject site size is within the range of improved sites in the area and is not considered to restrict the utility of the subject in relation to competing sites. Any of the above legally permitted uses, therefore, are considered physically possible.

FINANCIALLY FEASIBLE

The subject is located within a section of its neighborhood where there is a continuing demand for commercial, residential, community facility, and hotel property types. General market conditions are such that holding for new residential or community facility construction until market conditions improve is financially feasible as the additional cost currently exceeds the added value.

MAXIMALLY PRODUCTIVE

All legally permissible, physically possible and financially feasible uses of the site, as vacant, have been presented and examined. In conclusion, it is our opinion that the highest and best use of the subject, as vacant, is a speculative hold for commercial, residential, community facility development, and hotel until market conditions improve to a level of profitability.

HIGHEST AND BEST USE AS IMPROVED

PHYSICALLY POSSIBLE

As noted in the Improvements Analysis section, the site is improved with a three unit mixed-use condominium building containing a total of 174 hotel rooms and 64 apartments that is currently operated as a homeless shelter. The building contains approximately 150,688± square feet of gross building area situated on a 19,135± square foot site. The subject is of good size and has good street access. All necessary utilities are available, and there are no apparent easements or encroachments that would hinder or prevent development. The size falls within the range of improved sites in the area and is not considered to restrict the utility in relation to competing sites. Any of the above legally permitted uses, therefore, are considered physically possible.

LEGALLY PERMISSIBLE

The subject property is located in a C6-2 Residential zoning district with most commercial, residential, hotel, and community facility uses permissible as of right. No known zoning change is currently being considered or anticipated. We are not aware of any public or private deed restrictions that preclude development on the site. It is our opinion that the site, if vacant, could be developed for the above legally permitted uses.

FINANCIALLY FEASIBLE

Financial feasibility as an income-producing investment is based on the amount of rental income it can generate net of the required operating expenses. If the resulting net operating income motivates continued operation, then the land is being put to a productive and financially feasible use. The positive NOI suggests the subject's use as a shelter is financially feasible. The subject property was previously sold as a multifamily and hotel structure. To establish the financial feasibility of the multifamily and hotel portions of the hotel, we have conducted an analysis using the Sales Comparison Approach of recent multifamily and hotel sales as shown below. The total concluded value will be compared to the concluded value with the projected lease under negotiation to the DHS to compare financial feasibility.

As discussed above, the Sales Comparison Approach will be used to analyze multifamily sales and hotel sales for the separate condominium units within the subject. It is important to note that the indicated opinion of values for the presented below is the Stabilized Value of the subject. The subject is economically vacant, and the stabilized value does not consider the costs associated with leasing the subject.

SUMMARY OF MULTIFAMILY SALES

SUMMARY OF IMPROVED SALES - MULTIFAMILY

Comp No.	Property / Location	Property Use	Date of Sale	Transaction Status	Property Rights	Year Built	Number of Units	Bldg. Size (SF Gross)	Site Size (SF)	Occup.	Sale Price	Sale Price Per Unit
1	The MYNT 756 Myrtle Avenue Brooklyn, NY 11206	Residential Condominium	Nov-21	Closed	Leased Fee	2007	72	106,746	20,000	100%	$49,000,000	$680,556
2	Knitting Factory Lofts 79-83 Clifton Place Brooklyn, NY 11238	Apartment	Oct-21	Closed	Leased Fee	1939/1998	40	57,937	20,500	97.5%	$34,000,000	$850,000
3	111 Kent 105-117 Kent Avenue Brooklyn, NY 11249	Apartment	Aug-20	Closed	Leased Fee	2008	62	82,081	20,726	98.4%	$45,340,000	$731,290
4	185 South 4th Street Brooklyn, NY 11211	Residential Condominium	Feb-20	Closed	Leased Fee	2005	42	71,392	9,500	100.0%	$31,750,000	$755,952
5	100 Steuben Street and 531 Myrtle Avenue Brooklyn, NY 11205	Apartment	Jan-20	Closed	Leased Fee	2015	72	66,351	7,500	95.1%	$55,890,888	$776,262
Subj.	Multifamily Portion 85 Flatbush Avenue Ext. Brooklyn, New York	Residential Condominium	----	----	Leased Fee	2013	64	60,129	19,135	100%	----	----

The above multifamily sales represent the most comparable properties to the multifamily portion of the subject. According to public records, the Residential Condo Unit contains 60,129± square feet of gross building area and 64 units. After analyzing the comparable sales, the concluded valuation of the residential portion of the subject is $800,000 per unit, or $51,200,000.

SUMMARY OF HOTEL SALES

SUMMARY OF IMPROVED SALES - HOTEL

Comp No.	Property / Location	Property Use	Date of Sale	Transaction Status	Property Rights	Year Built	Number of Rooms	Bldg. Size (SF Gross)	Site Size (SF)	Sale Price	Sale Price Per Room
1	Ace Hotel Brooklyn 266 Schermerhorn Street Brooklyn NY 11217	Hotel - Upper Upscale	Feb-21	Closed	Leased Fee	2017	285	165,534	18,170	$45,000,000	$157,895
2	EVEN Hotel Brooklyn 40 Nevins Street Brooklyn, NY 11217	Hotel - Upscale	Nov-21	Closed	Leased Fee	2013	200	85,347	7,470	$29,700,000	$148,500
3	Ascend Collection Brooklyn Vybe Hotel 1024 Flatbush Avenue Brooklyn, NY 11226	Hotel - Upscale	Aug-20	Closed	Leased Fee	2021	74	37,744	7,582	$11,175,000	$151,014
4	Hilton Garden Inn 29-21 41st Avenue Long Island City, NY 11101	Hotel - Upscale	Mar-18	Closed	Leased Fee	2014	183	85,140	6,724	$60,000,000	$327,869
Subj.	Hotel Portion 85 Flatbush Avenue Ext. Brooklyn, New York	Hotel - Upscale	----	----	Leased Fee	2013	174	90,559	19,135	----	----

The hotel portion of the subject contains 90,559± square feet of gross building area and 174 rooms. The total area includes the commercial condo unit that is used was the restaurant portion for previous hotel operations and the hotel unit. Since the onset of the COVID-19 pandemic, there has been a significant downtown in the hotel industry, as discussed previously in the report. There are limited sales in the subject's immediate market, so it was necessary to search the neighboring submarkets for the best sales. After analyzing the comparable sales, the concluded valuation of the hotel portion of the subject is $200,000 per room, or $34,800,000.

SALES COMPARISON APPROACH (MULTIFAMILY/HOTEL) - CONCLUDED VALUE

CONCLUDED VALUE	
Hotel Portion	34,800,000
Multifamily Portion	51,200,000
Concluded Valuation	**$86,000,000**
PSF of GBA	$570.72

The analysis above suggests that this alterative use as a partial multifamily, partial hotel operation is financially feasible as that use generates contributory value to the site. Please note this is the as stabilized valuation for the feasibility analysis. It is not a representation of the As Is value. The As Is shell value is detail in valuation section

MAXIMUM PRODUCTIVITY

Based on the conclusions of the appraisal herein and the analysis presented above, the maximally productive use of the subject property is determined to be shelter use as this use provides the highest contributory value to the site when leased as a shelter. The single use that produces the greatest return on investment and usually the highest price and value is typically the highest and best use. Additionally, all of the comparable sales surveyed in this report were converted to shelters from alternative uses. This provides evidence suggesting that the use as a homeless shelter is maximally productive.

VALUATION PROCESS

Valuation in the appraisal process generally involves three techniques, including the Cost Approach, Sales Comparison Approach and the Income Capitalization Approach.

These three valuation methods are defined in the following table:

VALUATION METHODS	DEFINITION
Cost Approach	In this approach, value is based on adding the contributing value of any improvements (after deductions for accrued depreciation) to the value of the land as if it were vacant based on its highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts.[1]
Sales Comparison Approach	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property. This comparison is typically accomplished by extracting "units of comparison", for example, price per square foot, and then analyzing these units of comparison for differences between each comparable and the subject. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace.
Income Capitalization Approach	In this approach, a property is viewed through the eyes of a typical investor, whose primary objective is to earn a profit on the investment principally through the receipt of expected income generated from operations and the ultimate resale of the property at the end of a holding period.

VALUATION METHODS UTILIZED

This appraisal employs the Income Capitalization Approach and the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered applicable and/or necessary for market participants. Investors do not typically rely on the Cost Approach when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach to develop an opinion of market value.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

INCOME CAPITALIZATION APPROACH

GENERAL PROCESS

In the Income Capitalization Approach, the appraiser concludes to a value indication for the subject by converting a projected net operating income into a single present value by using either the direct capitalization or yield capitalization method.

In direct capitalization, the estimated net operating income is divided by a market-driven capitalization rate to provide an indication of value. In yield capitalization, a series of income streams are discounted over a holding period to estimate a present value. The yield capitalization approach is referred to as a discounted cash flow analysis and is most useful for properties that are not stabilized or expect to have large fluctuations in the income stream over a holding period.

The Income Capitalization Approach to value requires the following sequential steps:

Estimate Economic Gross Income	Estimate the economic gross income for the subject's space based on existing leases and market data.
Estimate Effective Gross Income	Estimate a proper vacancy and credit loss for the subject's market, then deduct this rent loss from the estimated economic gross income to arrive at an effective gross income.
Estimate the Net Operating Income	Calculate the net operating income by deducting the estimated operating expenses (fixed and variable) and a provision for replacement of short-lived building components from the estimated effective gross income.
Value Indication	Convert the net operating income into a value indication by using a market-derived capitalization rate in the case of direct capitalization and/or a market-derived discount rate in the yield capitalization analysis (discounted cash flow analysis). The yield capitalization approach also forecasts the anticipated future income streams and estimates a reversion price at the end of a presumed holding period. These future income streams are then discounted to a present value using a market-extracted discount rate based on investor expectations based on the risks associated with a property.

INCOME ANALYSIS – RENT ROLL

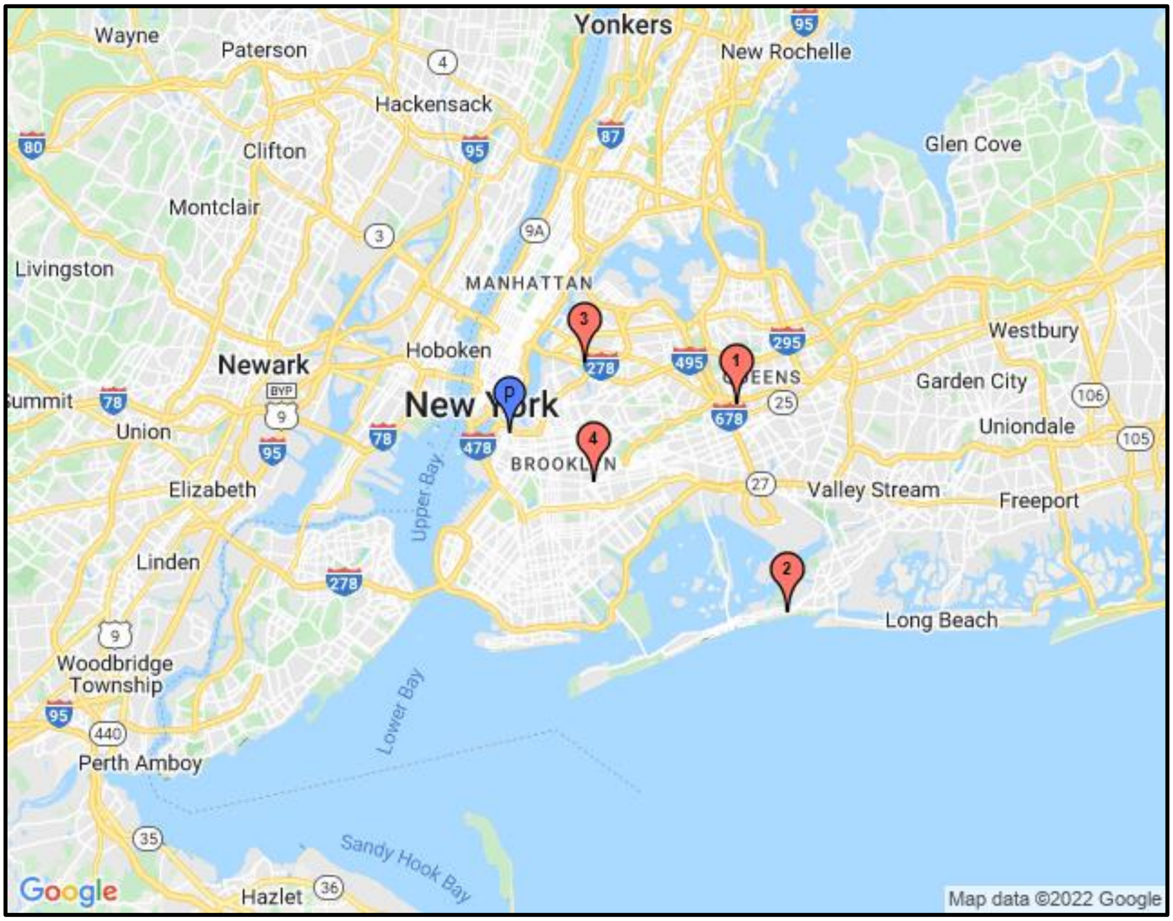
Following is a reconstructed rent roll for the subject property. While the subject lease terms are under negotiation, the terms will be compared to homeless shelter market. Additionally, the lease abstract for the negotiation lease is presented below.

RENT ROLL									
Tenant Name	Suite	Area (SF)		Term	Number of Units	Contract $/Unit/Day	Annual Rent	Expense Structure	Tenancy Type
DHS - Lease (Under Negotiation)		150,688		60	238	$125.00	$10,858,750	Gross	Shelter
Totals/Avg.	**Occupied**	**0**	**0.0%**			**$125.00**	**$10,858,750**		
	Vacant	**150,688**	**100.0%**						
	Total	**150,688**	**100.0%**						

COMPETING SHELTERS

To estimate the market rental rate of the subject, the rental rates of similar shelters in the subject and surrounding areas have been analyzed. These rental rates are summarized below.

COMPARABLE MAP AND LEASE SURVEY



SHELTER MARKET RENT

The property is currently 0% leased; however, there are negotiations for the Department of Homeless Services to lease 100% of the subject on a 62-month term for use as a homeless shelter. For the purposes of this analysis, we have surveyed the market for comparable shelter leases and presented them below. There are limited shelter lease signings in the immediate market, so it is necessary to expand the search radius into the surroundings markets for recent shelter lease signings.

Comparable Leases					
Address	**Start Date**	**Tenant**	**Units**	**Rent ($/Unit/Day)**	**Comments**
84-86 Smedley Street, Queens, NY	Jul-21	Urban Resource Institute	45	$88	30-year NNN lease
43-17 Rockaway Beach Boulevard, Brooklyn, NY	Dec-20	CORE Services Group, Inc.	109	$123	6-month Gross lease
38-07 Hunters Point Avenue, Long Island City, NY	Dec-20	Sweet Home Suites	82	$159	6-month Gross lease
1412 Pitkin Avenue, Brooklyn, NY	Mar-20	Children Community Services, Inc.	46	$175	6-month Gross lease

The average of the comparable leases is $136 per unit per day. The lease terms of proposed rent are at or near the average. Therefore, the terms from the negotiated lease will be applied to the proforma.

MARKET RENT CONCLUSION

Based upon the preceding data and analysis, a summary of the rents utilized within the following analysis is presented within the following table. The table will include the rent per square foot equivalent for comparison purposes.

MARKET RENT CONCLUSION	
	Shelter
Building Area	150,688
Total Units	238
Proposed Contract Rent ($/Unit/Day)	**$125.00**
Proposed Contract Rent ($/SF)	**$72.06**
Expense Structure	Gross
Concessions (Free Rent)	None
Annual Escalations	3%
Tenant Improvements ($/SF)	
New	$0.00
Renewal	$0.00
Leasing Commissions (%)	
New	6%
Renewal	3%
Average Lease Term (years)	5

POTENTIAL GROSS RENTAL INCOME CONCLUSION

Potential gross rental income based on the proposed contract rent is shown in the following table.

POTENTIAL GROSS RENTAL INCOME				
	Total	Contract Rent		
Tenant	Units	$/Unit/Day	$/SF	Annl. Rent
DHS - Lease (Under Negotiation)	238	$125.00	$72.06	$10,858,750

VACANCY AND COLLECTION LOSS

Occupancy data for the market, submarket, lease comparables and the subject, as well as the concluded occupancy/vacancy for the subject, is shown in the following table.

VACANCY CONCLUSION	
New York Multifamily Market Vacancy	2.34%
Downtown Brooklyn Submarket Vacancy	2.04%
Subject's Current Occupancy	100%
Subject's Stabilized Occupancy	**98.0%**
Subject's Stabilized Vacancy & Collection Loss	**2.0%**

Since the projected tenant is with the DHS, we anticipate a nominal vacancy and collection loss of 2.0%.

OPERATING EXPENSE ANALYSIS AND PROJECTIONS

Typically, the best source of information to estimate pro forma operations for the property is the actual historical performance of the subject. The subject property began Shelter operations in October 2021 without a long-term lease, so we were only provided with three months of income and expenses in addition to the proforma.

PRO FORMA OPERATING ANALYSIS				
	Annualized T-3 Month		Client Proforma	
	Total	per SF	Total	per SF
INCOME				
Gross Potential Rent	$8,004,000	$53.12	$10,858,750	$72.06
EFFECTIVE GROSS INCOME (EGI)	**$8,004,000**	**$53.12**	**$10,858,750**	$72.06
EXPENSES				
Real Estate Taxes	**$0**	**$0.00**	**$1,164,893**	**$7.73**
Insurance	**$0**	**$0.00**	**$201,144**	**$1.33**
Utilities	**$261,268**	**$1.73**	**$288,000**	**$1.91**
Repairs & Maintenance	**$69,308**	**$0.46**	**$175,000**	**$1.16**
Administrative & General	**$100,496**	**$0.67**	**$0**	**$0.00**
Management	**$0**	**$0.00**	**$542,938**	**$3.60**
Replacement Reserves	**$0**	**$0.00**	**$150,000**	**$1.00**
TOTAL EXPENSES	**$431,072**	**$2.86**	**$2,521,975**	**$16.74**
NET OPERATING INCOME (NOI)	**$7,572,928**	**$50.26**	**$8,336,776**	**$59,126**

It is noted that the Agreement with the DHS to utilize the subject as a Shelter would include the hotel portion of the subject in addition to the multifamily portion. The total annual income will increase with the added units if the lease is executed.

Additionally, it is noted that the trailing 3-month expenses does not account for a Real Estate Tax expenses because of the biannual natural of the expense.

Expense Summary

OPERATING EXPENSE COMPARISON AND CONCLUSION			
Expense Item	Annualized T-3 Month	Budget	BBG Forecast
Real Estate Taxes	$0.00	$7.73	$12.52
	$0	$1,164,893	$1,887,225
Insurance	$0.00	$1.33	$1.30
	$0	$201,144	$195,894
Utilities	$1.73	$1.91	$2.00
	$261,268	$288,000	$301,376
Repairs & Maintenance	$0.46	$1.16	$1.15
	$69,308	$175,000	$173,291
Administrative & General	$0.67	$0	$0.70
	$100,496	$0	$105,482
Management	$0.00	$3.60	$2.12
	$0	$542,938	$319,247
Replacement Reserves	$0.00	$1.00	$0.25
	$0	$150,000	$37,672
Total Operating Expenses Per Bed	$2.86	$16.74	**$20.04**
Total Operating Expenses	$431,072	$2,521,975	**$3,020,188**

The following is a summary of expenses as applied to the subject property. The expenses have been analyzed on a per square foot basis. The property is 0% economically leased; however, the lease under negotiation would be to a single tenant where the landlord is responsible for all expenses according to the drafted agreement provided.

Real Estate Taxes - The subject's tentative 2022/2023 unabated real estate tax payment amounts to $1,887,225. Of the three tax parcels, two parcels receive 421a tax benefits that will be accounted for below the line.

Insurance - This category includes property, general liability and casualty insurance that is required or typical at the subject and similar properties. The tenant maintains an individual insurance policy; however, it is expected that the landlord would maintain a basic supplement insurance policy. Due to the nature of the operations at the property, we anticipate an expense near the proforma amount to be reasonable. We project an expense of $1.30 per square foot or $195,894.

Utilities - Utility costs generally include electricity, water, sewer and gas. Utilities are projected to the amount of $2.00 per square foot, or $301,376.

Administrative & General - The expense is estimated at $0.70 per square foot, or $105,482 , and allows for any expenditures not included in the above categories of expenses including legal and professional fees, telephone, permits dues, uniforms, exterminating and other miscellaneous items.

Repairs & Maintenance – Repairs & Maintenance expenses along with other Common Area Maintenance address the structure of the property and any miscellaneous maintenance needed for the tenant. An expense amount of $1.15 per square foot, or $173,291 is projected.

Management/Legal Fee - Based on the single tenant status of the subject and the high income generated by the subject's market lease, it is reasonable to project the annual management fee to be 3.00% of effective gross income. Management is based on the collection of income from the tenant, administrative and other costs like professional fees. Based on the current estimated effective gross income of $10,641,575 management costs will be projected at $319,247.

Replacement Reserves - This account accrues funds for the eventual repair/replacement of building components outside of normal maintenance. Based upon our experience with similar properties and the age of the subject, and its condition, we have estimated this expense at $0.25 per square foot of gross building area totaling $37,672.

PRO FORMA OPERATIONS

Following is a summary of the income and expense projections for the subject which is a summation of the preceding analysis.

DIRECT CAPITALIZATION		FY 2023	
Income		**$**	**Per SF**
Gross Potential Rent		$10,858,750	$72.06
Total Potential Gross Income		**$10,858,750**	**$72.06**
Less Vacancy & Collection Loss	2.00%	($217,175)	($1.44)
Effective Gross Income (EGI)		**$10,641,575**	**$70.62**
Expenses			
Real Estate Taxes		$1,887,225	$12.52
Insurance		$195,894	$1.30
Utilities		$301,376	$2.00
Administrative & General		$105,482	$0.70
Repairs & Maintenance		$173,291	$1.15
Management	3.00%	$319,247	$2.12
Replacement Reserves		$37,672	$0.25
Total Expenses	**28%**	**$3,020,188**	**$20.04**
NET OPERATING INCOME (NOI)		**$7,621,387**	**$50.58**

DIRECT CAPITALIZATION

Direct capitalization is a method used to convert a projected single year's income expectancy into an indication of value. Dividing a property's net operating income by an appropriate market-derived capitalization rate, or overall rate (OAR), provides a value indication. There are several methods that can be used in deriving an overall rate to capitalize the net operating income projected above.

MARKET DERIVATION

When adequate data is available, the overall rate is best derived from the comparable sales employed in the Sales Comparison Approach. There were not adequate capitalization rates from recent sales in the market to primarily relay upon market derived rates.

MARKET DERIVED CAPITALIZATION RATE SUMMARY					
No.	**Property / Location**	**Date of Sale**	**Sale Price per Unit**	**NOI per Unit**	**Capitalization Rate**
1	84-46 Smedley Street Queens, NY	Dec-21	$450,000	$30,688	6.82%
2	141 West 144th Street New York, NY	Dec-21	$384,583	----	-----
3	427 West 52nd Street New York, NY	Jul-21	$1,200,000	----	-----
4	52-34 Van Dam Street Queens, NY	Nov-18	$313,636	----	-----

ELLWOOD METHOD

The method of capitalization employed in this report is the mortgage equity technique commonly referred to as the Akerson formula of the Ellwood method. This technique considers the return of equity including any potential appreciation or depreciation in property value over the income projection period as well as the effects of financing through mortgage amortization and equity benefits. The following criteria were used to determine the capitalization rate for the subject property.

As previously mentioned, yield capitalization measures a single year's anticipated income in order to determine its capital sum by means of an overall capitalization rate. This appropriate rate considers risk, debt, and equity goal requirements. This analysis relies on existing (or projected) income and market expenses in order to determine annual net operating income levels. The net operating income is capitalized to a present market value.

Financing

Lending institutions typically lend at a 60% to 80% loan to value ratio. Generally, mortgage interest rates for assets in the New York metro area range from 150 to 300 basis point above 10-year Treasuries. Based on the volatility in the Treasury market, coupled with demand for mortgage funds, spreads have widened considerably. As of the date of value, the yield on the 10-year Treasuries was reported to be 1.31%. The current yield on government debt would imply a mortgage interest rate range 2.20% to 3.75%. The current yield on 10-year Treasuries is near historic lows, declining by over 150 basis points since year-end 2019. The reduction in the yield for government debt represents a potentially favorable condition for financing real estate investment. We projected a 60% loan to value ratio, a 4.00% interest rate, and a 25-year payout. The mortgage constant is 0.06334.

Holding Period

Most investors/purchasers intend to hold a property for a period that typically ranges from five to twenty years. We have selected a period of 10 years.

Equity Yield

This is a competitive rate of return reflecting the inherent risks, illiquidity, potential benefits, and availability of tax shelter of property ownership relative to prospective rates of return for alternative investment opportunities. Typical investors require a rate of return for investment quality property such as the subject which is greater than the safe or "risk-less" rates offered for long-term treasury notes and bonds or high-grade corporate bonds. The difference between an investor's required rate of return and the safe rate is basically the premium necessary to compensate the investor for the added risks of lack of liquidity offered by a real estate investment.

KEY RATES

SURVEY OF COMPETITIVE RATES	
Federal Funds Rate	0.08%
Prime Rate	3.25%
10-year Treasury Bond	1.97%
30-year Treasury Bond	2.29%
Corporate Bonds (Aaa)	2.93%
Corporate Bonds (Baa)	3.58%

Source: Federal Reserve/Moody's – February 2022

The Federal Funds Rate is a foundational rate determining the cost of funds by Federal Reserve banks to depository institutions.

The Prime Rate is a base rate posted by large banks for loans to corporations. It is a rate for business loans to banks' most creditworthy customers. It is no longer a lending rate per se, but a base rate from which other rates are adjusted.

The 10- and the 30-year Treasury Bonds are long-term obligations that are guaranteed by the federal government.

Corporate Bonds with AAA credit exhibit a minimal amount of risk.

Municipal Bonds are free of tax liabilities and, therefore, the return is typically less than investment opportunities which are taxable.

In selecting an appropriate yield rate, we have considered the foregoing yields as well as the property's location, age, and condition relative to competing properties. In the development of the yield rate for the subject property, consideration was given to the risk, liquidity, and the time and expense of asset management inherent with income-producing property investment. The summation approach was utilized to account for yield expectations associated with these investment considerations as applied to a leased fee property. A 3.50% basic rate was used based on the return exhibited by the rates reflective of a “safe” alternative investment. The safe rate is adjusted for asset management, liquidity, and risk, resulting in a 10.00% equity yield rate.

Two other sources of anticipatory yield rates are provided by the PwC Real Estate and the Real Estate Research Corporations' (R.E.R.C.) investment surveys which summarize expected rates of return, including capitalization rates and income and expense growth rates, from a representative sample of institutional investors. The rates reflect acceptable expectations of yields desired by investors currently in the marketplace.

Change in Value

The subject property is located in a growing commercial area. Therefore, we have concluded at an increase of 5% over the holding period.

The band of investment calculation is summarized in the following table.

BAND OF INVESTMENT							
Loan Parameters							
Loan-to-Value (LTV)							60%
Amortization Period (yrs)							25
Interest Rate							4.00%
Mortgage Constant							0.06334
Equity Dividend Rate							10.00%
Holding Period							10
Appreciation Over Term							5%
Calculation							
0.60 LTV	x	0.06334	Mortgage Constant			=	0.03800
0.40 Equity	x	0.10000	Equity Dividend Rate			=	0.04000
Weighted Rate							0.07800
Less Adjustment for Mortage Amortization							
		0.2864	x	0.60 LTV	x 0.0627	=	0.01077
Basic Rate							0.06723
Less Adjustment for Appreciation							
				0.05	x 0.0627	=	0.00314
Indicated Capitalization Rate							6.41%
Rounded							**6.50%**

INVESTOR SURVEYS

INVESTOR SURVEYS		
Survey/Investment Type	**OAR Range**	**Average**
PwC Real Estate Investor Survey (4Q21)		
Apartment	3.00% - 7.00%	4.42%
Situs RERC Real Estate Report (4Q21)		
Apartment	3.30% - 6.00%	4.30%
RealtyRates.com Investor Survey (4Q201)		
Apartments	4.03% - 11.92%	7.94%
Lodging	4.58% - 15.96%	9.78%
Indicated OAR:	**3.00% - 15.96%**	**6.61%**

The Investor Surveys are a secondary consideration to the cap rate selection.

CAPITALIZATION RATE SUMMARY AND CONCLUSIONS

The capitalization rates derived from the various techniques are summarized in the following table.

SUMMARY CAPITALIZATION RATE AND CONCLUSION	
Method	**Capitalization Rate**
Investor Surveys	3.00% - 15.96%
Ellwood Method	6.50%
Primary Weight	**Ellwood Method**
Secondary Weight	**Investor Surveys, Market Extraction**
Capitalization Rate Conclusion	**6.50%**

VALUE INDICATION FROM DIRECT CAPITALIZATION

An opinion of market value is indicated by the Direct Capitalization Method by dividing the net operating income (NOI), derived earlier in this section by the appropriate capitalization rate. Typically, similar properties are the best indicator of cap rate selection. The conclusion via the Direct Capitalization Method is as follows.

Since the subject is economically vacant, there are leasing costs associated with the final execution of the lease that is under negotiation. Specifically, it is anticipated that there will be 24-months of rent loss from downtime that captures the time until the lease is executed and the period until rent commences. Additionally, the market rate for leasing commissions of 6% is applied to the annual rent and term length. Lastly, the entrepreneurial incentive is calculated as a percentage of the stabilized value for the risk and profit factor associated with securing the lease with DHS.

LEASE UP ADJUSTMENT					
Estimated Downtime					24 months
Rent Loss from Downtime	$10,641,575	x	2 years		$21,283,150
Leasing Commissions	6.0%		5	yrs	$3,192,473
Entrepreneurial Incentive (as % of stabilized value)			20%		$23,930,422
Total Lease Up Adjustment					**$48,406,044**
Rounded					**$48,000,000**

DIRECT CAPITALIZATION METHOD VALUE CONCLUSION - AS IS		
NET OPERATING INCOME	**$7,621,387**	**$50.58**
Sensitivity Analysis (0.25% OAR Spread)	**Value**	**$/SF**
Based on Low-Range of 6.25%	$121,942,194	$809.24
Based on Most Probable Rate of 6.50%	$117,252,110	$778.11
Based on High-Range of 6.75%	$112,909,439	$749.29
Indicated Value - As Stabilized	**$117,252,110**	**$778.11**
plus PV of 421(a) Benefit	$2,400,000	
Reconciled Value - As Stabilized	**$119,652,110**	**$794.04**
less Lease Up Adjustment	($48,000,000)	
Reconciled Value - As Is	**$71,652,110**	**$475.50**
Rounded to nearest $1,000,000	**$72,000,000**	**$477.81**

SALES COMPARISON APPROACH

METHODOLOGY

In the Sales Comparison Approach, we developed an opinion of value by comparing similar, recently sold properties in the surrounding or competing area to the subject property. In order to determine the value of the subject property, these comparable sales and/or listings are then evaluated and adjusted based on their differences when compared to the subject property. Inherent in this approach is the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

The Sales Comparison Approach to value requires the following sequential steps:

Unit of Comparison	A unit of comparison (i.e. price per square foot, price per dwelling unit) must be selected for comparable analysis of the sales and the subject. The selected unit of comparison must be consistent with market behavior. Therefore, the best unit of comparison is sale price per bed.
Search for Sales	Research must be done to locate comparable sales, listings and contracts of properties that are similar to the subject. Similarities may include property type, size, physical condition, location and the date of the sale.
Confirmation	All sales must be confirmed to verify that the data used is accurate, and that all of the sales, listings or contracts represent arm's-length transactions.
Comparison	Each of the improved sales that are chosen for this valuation is considered generally similar to the subject. Therefore, each difference between the comparables and the subject must be identified, and then adjusted for the various differences. All adjustments are made to the comparables as they relate to the subject property.
Reconciliation	Once all of the comparables have been adjusted, a single-value must be concluded based on the indications produced from the analysis of the comparables.

UNITS OF COMPARISON

	UNITS OF MEASURE
	1. **Per Square Foot of Net Rentable Area:** For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of the corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area.
	2. **Per Square Foot of Usable Area:** The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.
	3. **Per Square foot of Gross Leasable Area:** Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces.
X	4. **Per Square Foot of Gross Building Area:** Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region.
	5. **Per Bed:** Total number of beds in the property. Typically used for shelter properties.

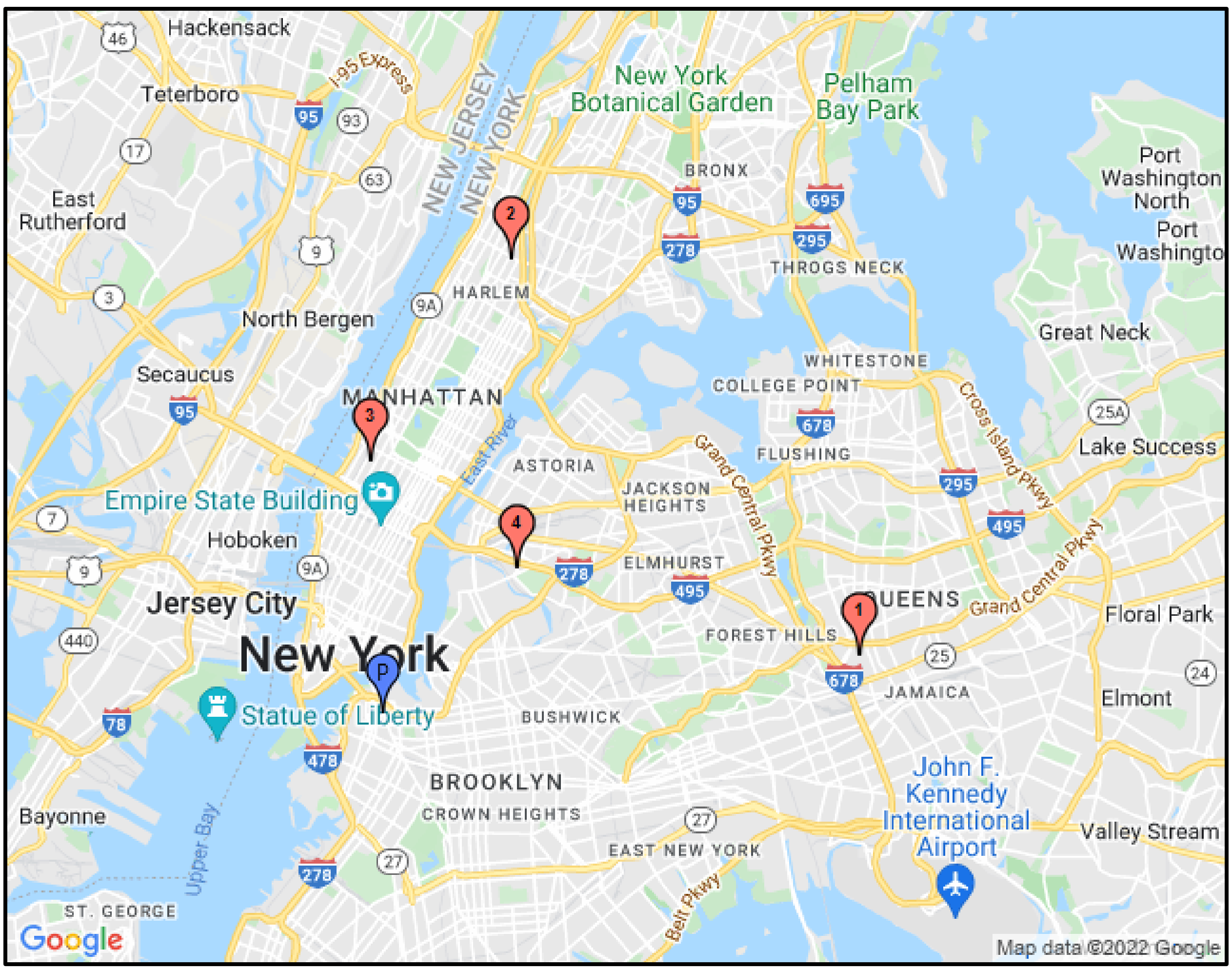
SALE OF THE SUBJECT PROPERTY

The subject property is currently vested in the name of 85 FLATBUSH RHO RESIDENTIAL LLC and 85 FLATBUSH RHO HOTEL LLC. The subject is a mixed-use condominium with a commercial, hotel, and residential condo unit. The entire building was sold as part of a portfolio sale encompassing all three condo units for a total consideration of $90,000,0000 September 2019. The subject is currently operating as a homeless shelter with negotiations taking place for the Department of Homeless Services (DHS) to lease 100% of the building. The DHS began short-term operations in October 2021 where the homeless shelter only operated out of the 174 units associated with the hotel portion of the subject. According to the drafted lease agreement that is under negotiation, the lease includes the 64 additional multifamily units to be occupied by the DHS. The lease is projected to be structured with gross terms. The lease will be analyzed against the current market for homeless shelters, and the subject will be analyzed as 100% economically vacant as the lease is under negotiation and remains unsigned.

The 2019 sale is approximately 25% below the appraised value which can be attributed the recently signed lease with the DHS. To the best of our knowledge the property has not otherwise been traded in the previous three years, it is not currently under contract of sale, and is not actively marketed for sale or lease.

COMPARABLE IMPROVED SALES

Due to the paucity of shelter sales in the subject's immediate submarket, the search parameters to were expanded to the surrounding areas. On the following pages, we present a summary of the improved properties that we compared to the subject property, a map showing their locations, and the adjustment process.



COMPARABLE IMPROVED SALES SUMMARY

SUMMARY OF IMPROVED SALES											
Comp No.	Property / Location	Property Use	Date of Sale	Transaction Status	Property Rights	Year Built	Number of Units	Bldg. Size (SF Gross)	Site Size (SF)	Occup.	Sale Price PSF
1	84-46 Smedley Street Queens, NY	Shelter	12/21/2021	Closed	Leased Fee	2006	45	39,898	12,054	100%	$20,250,000 $507.54
2	141 West 144th Street New York, NY	Shelter	12/21/2021	Closed	Leased Fee	1928	60	28,460	6,442	100%	$23,075,000 $810.79
3	427 West 52nd Street New York, NY	Shelter	7/9/2021	Closed	Leased Fee	1956	21	35,854	5,000	100%	$25,200,000 $702.85
4	52-34 Van Dam Street Queens, NY	Shelter	11/16/2018	Closed	Leased Fee	2007	154	67,223	13,815	100%	$48,300,000 $718.50
Subj.	85 Flatbush Avenue Ext. Brooklyn, New York	Shelter	----	----	Leased Fee	2013	238	150,688	19,135	100%	----

COMPARABLE IMPROVED SALES ADJUSTMENT GRID

COMPARABLE SALE SUMMARIES AND ADJUSTMENTS					
	Subject	Comp 1	Comp 2	Comp 3	Comp 4
Property / Location	Shelter 85 Flatbush Avenue Ext. Brooklyn, New York	Shelter 84-46 Smedley Street Queens, NY	Shelter 141 West 144th Street New York, NY	52nd Street Women's Center 427 West 52nd Street New York, NY	Fairfield Inn (North Star) 52-34 Van Dam Street Queens, NY
Transaction Status	-----	Closed	Closed	Closed	Closed
Date of Sale	-----	12/21/2021	12/21/2021	7/9/2021	11/16/2018
No. Units	238	45	60	21	154
Bldg. Size (SF Gross)	150,688	39,898	28,460	35,854	67,223
Site Size (SF)	19,135	12,054	6,442	5,000	13,815
Occup.	100%	100%	100%	100%	100%
Sale Price	-----	$20,250,000	$23,075,000	$25,200,000	$48,300,000
Overall Rate	-----	6.82%	-----	-----	-----
Unadjusted Price per SF (Gross)	**-----**	**$507.54**	**$810.79**	**$702.85**	**$718.50**
Transactional Adjustments					
Property Rights Conveyed	***Leased Fee***	*Leased Fee*	*Leased Fee*	*Leased Fee*	*Leased Fee*
Adjustment		**0%**	**0%**	**0%**	**0%**
Financing	***Market***	*Market*	*Market*	*Market*	*Market*
Adjustment		**0%**	**0%**	**0%**	**0%**
Terms/Conditions of Sale	***None***	*None*	*None*	*None*	*None*
Adjustment		**0%**	**0%**	**0%**	**0%**
Expenditures After Sale	***None***	*None*	*None*	*None*	*None*
Adjustment		**0%**	**0%**	**0%**	**0%**
Market Conditions	***Feb-22***	*12/21/2021*	*12/21/2021*	*7/9/2021*	*11/16/2018*
Adjustment		**0%**	**0%**	**0%**	**0%**
Total Transactional Adjustments		**0%**	**0%**	**0%**	**0%**
Adjusted Price per SF (Gross)		**$507.54**	**$810.79**	**$702.85**	**$718.50**
Property Adjustments					
		Inferior	*Similar*	*Similar*	*Inferior*
Location		**5%**	**0%**	**0%**	**5%**
	150,688	*39,898*	*28,460*	*35,854*	*67,223*
Property Size SF (Gross)		**-10%**	**-10%**	**-10%**	**-5%**
	Good	*Inferior*	*Inferior*	*Inferior*	*Inferior*
Condition		**15%**	**15%**	**15%**	**15%**
	Good	*Similar*	*Similar*	*Similar*	*Similar*
Quality		**0%**	**0%**	**0%**	**0%**
NOI/SF	***$50.58***	*$34.61*	-----	-----	-----
Economics		**23%**	**0**	**0**	**0**
	100.0%	*100.0%*	*100.0%*	*100.0%*	*100.0%*
Occupancy		**0%**	**0%**	**0%**	**0%**
Total Property Adjustments		**33%**	**5%**	**5%**	**15%**
Indication for Subject		**$675.03**	**$851.33**	**$737.99**	**$826.28**

SALES SUMMARY	**Unadjusted**	**Adjusted**
Minimum	$507.54	$675.03
Maximum	$810.79	$851.33
Average	$684.92	$772.66
Standard Deviation	$127.48	$81.23

BBG

ADJUSTMENT PROCESS

The sales that we have utilized represent the best available information that could be compared to the subject property. The major elements of comparison for an analysis of this type include the property rights conveyed, the financial terms incorporated into a particular transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

PROPERTY RIGHTS CONVEYED

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may have stronger appeal to an owner-user or an investor, resulting in a premium or discount associated with fee simple property rights. If a buyer acquires the leasehold interest in a comparable, then an adjustment may be necessary that accounts for the impact to the of ground rent and/or risk associated with the expiration of the ground lease to the sale price.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

FINANCING

This category accounts for differences in financing terms associated with the transaction. Financing arrangements that may require an adjustment include mortgage assumptions (at favorable interest rates), seller buydowns, installment sales, wrap-around loans, or any other atypical financing arrangements that do not represent cash-equivalent terms.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

TERMS/CONDITIONS OF SALE

Adjustments for conditions of sale typically reflect various motivations of the buyer and/or seller. This may include such factors as seller distress (short sale, REO, auction) or buyer motivation (assemblage, etc.). In some situations, the conditions of sale may significantly affect transaction prices. Properties that are listed for sale may require adjustments herein to account for any disparity between asking prices and the achievable sale price anticipated.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

EXPENDITURES AFTER SALE

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

MARKET CONDITIONS

This time-adjustment category accounts for differences in economic conditions between the effective date of appraisal and the transaction date of the comparable, such as may be caused by changing supply and demand factors, rental rates, vacancy rates and/or capitalization rates.

Community facilities have proven to be resilient throughout the COVID-19 pandemic. Therefore, no adjustments were required for this category.

LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, access to transportation networks and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

Comparable No. 1 was judged inferior to the subject and received an upward adjustment of 5.0%. Comparable No. 4 was judged inferior to the subject and received an upward adjustment of 5.0%.

PROPERTY SIZE SF (GROSS)

Normally, all other characteristics being equal, the unit value of a property is affected by its size. Building size and price per square foot typically have an inverse relationship. Larger buildings tend to achieve lower pricing on a per-unit basis due to their economies of scale, and smaller pool of prospective buyers.

Comparable No. 1 was regarded superior to the subject and received a downward adjustment of 10.0%. Comparable No. 2 was regarded superior to the subject and received a downward adjustment of 10.0%. Comparable No. 3 was regarded superior to the subject and received a downward adjustment of 10.0%. Comparable No. 4 was regarded superior to the subject and received a downward adjustment of 5.0%.

CONDITION

Older properties that have been well maintained could be considered to be in better condition than newer properties that have not been well maintained or that have incurred deferred maintenance.

Comparable No. 1 was judged inferior to the subject and received an upward adjustment of 15.0%. Comparable No. 2 was judged inferior to the subject and received an upward adjustment of 15.0%. Comparable No. 3 was judged inferior to the subject and received an upward adjustment of 15.0%. Comparable No. 4 was judged inferior to the subject and received an upward adjustment of 15.0%.

QUALITY

Quality adjustments reflect differences in the quality and durability of construction materials, design, building classification, finish-out, et cetera.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

ECONOMICS

The variance in achievable rental rates is regarded as a reasonable means with which to reflect locational differences attributable to local/regional market economics. The following adjustments are based upon differences in contract rents as compared to the subject property. The absolute variance is discounted 50%.

LOCATION/INCOME ADJUSTMENT ANALYSIS			
Sale No.	Comp NOI ($/SF)	Subject NOI ($/SF)	Variance (50% Discount)
1	$34.61	$50.58	23%
2	-----	$50.58	0
3	-----	$50.58	0
4	-----	$50.58	0

Comparable No. 1 was judged inferior to the subject and received an upward adjustment of 23.0%.

OCCUPANCY

All other factors being equal, properties that exhibit higher occupancy command premiums over those with lower occupancy ratios.

All of the comparables were considered similar to the subject and no adjustments were required for this category.

TOTAL PROPERTY ADJUSTMENTS

Comparable No. 1 was judged inferior to the subject and received an upward adjustment of 33.0%. Comparable No. 2 was judged inferior to the subject and received an upward adjustment of 5.0%. Comparable No. 3 was judged inferior to the subject and received an upward adjustment of 5.0%. Comparable No. 4 was judged inferior to the subject and received an upward adjustment of 15.0%.

CONCLUSION OF SALES COMPARISON APPROACH

The indicated unadjusted range of the comparable sales is from $507.54 to $810.79 per square foot, with an average of $684.92 per square foot. Based on the unadjusted unit prices, the standard deviation is $65.46. After adjustments the comparable improved sales reflect prices ranging from $675.03 to $851.33 per square foot with an average adjusted price of $772.66 per square foot. After adjustments, the standard deviation declined to $81.23, which indicates a tightening of the unit prices relative to the mean and provides a higher degree of confidence in the adjustments applied. The most consideration was given to comparable No. 1 recently closed transaction and No. 4 for being a hotel structure prior to shelter conversion. Therefore, we conclude that the indicated value by the Sales Comparison Approach is slightly below the average for a rounded value of $780 per square foot.

SALES SUMMARY	Unadjusted	Adjusted
Minimum	$507.54	$675.03
Maximum	$810.79	$851.33
Average	$684.92	$772.66
Standard Deviation	$127.48	$81.23

VALUE INDICATION FROM SALES COMPARISON

Our conclusion via the Sales Comparison Approach is as follows. The present value of the 421(a) tax benefit is added below-the-line. The subject will include a lease up adjustment for the leasing costs associated with executing the lease that is under negotiation.

LEASE UP ADJUSTMENT					
Estimated Downtime					24 months
Rent Loss from Downtime	$10,641,575	x	2 years		$21,283,150
Leasing Commissions	6.0%		5	yrs	$3,192,473
Entrepreneurial Incentive (as % of stabilized value)			20%		$23,930,422
Total Lease Up Adjustment					**$48,406,044**
Rounded					**$48,000,000**

SALES COMPARISON APPROACH VALUE CONCLUSION - AS IS	
Indicated Value per SF	$780
Building Area (SF)	x 150,688
Indicated Value - As Stabilized	**$117,536,640**
plus PV of 421(a) Benefit	2,400,000
Reconicled Value - As Stabilized	**119,936,640**
less Lease Up Adjustment	(48,000,000)
Reconciled Value - As Is	**$71,936,640**
Rounded to nearest $1,000,000	**$72,000,000**
Per SF	**$477.81**

SHELL SALES RECONCILIATION

To properly analyze the subject, comparable sales of shell condition properties or vacant properties have been surveyed. There is a paucity in shell condition properties and vacant properties, so it is necessary to search the surrounding submarkets and search further back in time.

The comparable properties represent sales of multifamily properties with occupancy rates at 0% similar to the subject.

SUMMARY OF IMPROVED SALES - VACANT SALES								
No.	Property / Location	Property Type	Date of Sale	Year Built	Occupancy	Building Size (GBA)	Sale Price	Sale Price PSF
1	374 Communipaw Avenue Jersey City, NJ	Multifamily	Dec-21	2022	0%	33,040	$16,000,000	$484.26
2	74 Maple Street Jersey City, NJ	Multifamily	Mar-20	2020	0%	179,400	$53,000,000	$295.43
3	90 Sands Street Brooklyn, NY	Hotel	Aug-18	1992	0%	472,967	$170,000,000	$359.43
4	21 Clark Street Brooklyn, NY	Multifamily	Oct-17	1927	0%	356,000	$202,500,000	$568.82
Low				1927	0%	33,040	$16,000,000	$295.43
High				2022	0%	472,967	$202,500,000	$568.82
Median				2006	0%	267,700	$111,500,000	$421.85
Average				1999	0%	260,352	$110,375,000	$426.99

The as is valuations concluded from the Direct Capitalization Method and Sales Comparison Approach are within the range of comparable sales sold as shell or vacant buildings, as evidenced in the survey above.

RECONCILIATION AND FINAL VALUE

SUMMARY OF VALUE INDICATIONS

VALUE INDICATIONS			
As Is as of February 16, 2022			
Cost Approach	Not Developed		
Sales Comparison Approach	$72,000,000	$477.81	Per square foot of GBA
Income Capitalization Approach			
Direct Capitalization	$72,000,000	$477.81	Per square foot of GBA
Approach Reliance	**Direct Capitalization**		
Value Conclusion - As Is	**$72,000,000**	**$477.81**	**Per square foot of GBA**
Insurable Value	$36,000,000		
Exposure Time	12 months		
Marketing Time	12 months		

MARKET VALUE - VALUATION RELIANCE

The Cost Approach, although considered, was excluded due to the age of the improvements and because it does not consider the value of the lease.

The Sales Comparison Approach is primarily used by owner-users in making purchase decisions. It is the secondary approach used by investors. The subject has little appeal to an owner-user due to the size and length of the remaining lease terms. Furthermore, accounting for differences in the comparables relative to the subject is difficult due to quality of tenant, location and overall quality and condition of the properties. The inability to account accurately for these differences reduces the credibility of the Sales Comparison Approach. For these reasons, the Sales Comparison Approach was developed solely as support for the Income Approach.

The Income Approach is the valuation method most commonly used by investors in making purchase decisions for properties like the subject and Direct Capitalization is the primary valuation method used by investors in sale transactions of properties similar to the subject. An investor would likely capitalize the scheduled income for the subject property in order to derive a value based on a required return on investment. Therefore, the Direct Capitalization method provides the most credible indication of the price an investor would be willing to pay for the subject, and we rely solely on this approach in our reconciliation.

FINAL OPINION OF VALUE

Based on the inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s).

MARKET VALUE CONCLUSION(S)			
Appraisal Premise	**Interest Appraised**	**Date of Value**	**Value Conclusion**
Market Value - As Is	Leased Fee	February 16, 2022	$72,000,000

MARKETING TIME AND EXPOSURE TIME

Financing for properties like the subject is limited, which has reduced the pool of potential buyers for this property type. However, we do not believe the limited availability of financing has any negative impact on the marketability of the subject, and we believe it would sell within 12 months at the appraised market value. The exposure time is also estimated at less than twelve months; however; it could be slightly longer than the marketing time depending on any improvement in the market.

CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved with this assignment.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the state of New York.
9. The reported analyses, opinions, and Value Indications were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Jon DiPietra, MAI has, Scott Silverman, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
12. Jonathan Herder has made a personal inspection of the property that is the subject of this report on February 16, 2022.
13. Alex Demchick provided significant real property appraisal assistance to the person signing this certification in the form of market research and report writing.
14. BBG appraised the subject February 2022. Otherwise, BBG has not provided services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.

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STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1) Notwithstanding that the Appraiser may comment on, analyze, or assume certain conditions in the appraisal, BBG, Inc. shall have no monetary liability or responsibility for alleged claims or damages pertaining to: (a) title defects, liens or encumbrances affecting the property; (b) the property's compliance with local, state or federal zoning, planning, building, disability access and environmental laws, regulations and standards; (c) building permits and planning approvals for improvements on the property; (d) structural or mechanical soundness or safety; (e) contamination, mold, pollution, storage tanks, animal infestations or other hazardous conditions affecting the property; and (f) other conditions and matters for which licensed real estate appraisers are not customarily deemed to have professional expertise. Accordingly:
    a) The Appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the Appraiser or the Appraiser's staff or was obtained or taken from referenced sources and is considered reliable. The Appraiser and BBG, Inc. shall not be monetarily liability or responsible for or assume the costs of preparation or arrangement of geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
    b) Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment. Further, unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Further, unless otherwise stated, it is assumed that there are no rights associated with extraction or exploration of such elements considered. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
    c) Any legal description or plats reported in the appraisal are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. BBG, Inc. has made no survey of the property and assumes no monetary liability or responsibility in connection with such matters.
    d) Title is assumed to be good and marketable, and in fee simple, unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated. Further, BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
    e) The appraisal report is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the appraisal report; additionally, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the appraisal report. Further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate. Moreover, unless otherwise stated herein, it is assumed that there are no encroachments or violations of any zoning or other regulations affecting the subject property, that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there are no trespasses or encroachments.
    f) The American Disabilities Act (ADA) became effective January 26, 1992. The Appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with e various detailed requirements of ADA. It is possible that a compliance survey of the property and a

detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since the Appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.

g) No monetary liability or responsibility is assumed for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

h) It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein. Further, it is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.

i) Unless otherwise stated within the appraisal report, the depiction of the physical condition of the improvements described therein is based on visual inspection. No monetary liability or responsibility is assumed for (a) the soundness of structural members since no engineering tests were conducted; (b) the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made; and (c) hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during the Appraiser's inspection.

j) If building improvements are present on the site, it is assumed that no significant evidence of termite damage or infestation was observed during physical inspection, unless so stated in the appraisal report. Further, unless so stated in the appraisal report, no termite inspection report was available. No monetary liability or responsibility is assumed for hidden damages or infestation.

k) Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the land to its maximum permitted use or would render it more or less valuable. No monetary liability or responsibility is assumed for such conditions or for engineering which may be required to discover them.

l) BBG, Inc. is not an expert in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraiser is not qualified to detect such substances. The Client is urged to retain an expert in this field; however, Client retains such expert at Client's own discretion, and any costs and/or expenses associated with such retention are the responsibility of Client.

m) BBG, Inc. is not an expert in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. BBG, Inc. assumes no monetary liability or responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The Appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions contained within the appraisal repot based upon any subsequent endangered species impact studies, research, and investigation that may be provided. However, it is assumed that no environmental impact studies were either requested or made in conjunction with this analysis, unless otherwise stated within the appraisal report.

2) If the Client instructions to the Appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

3) If provided, the estimated insurable value is included at the request of the Client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied

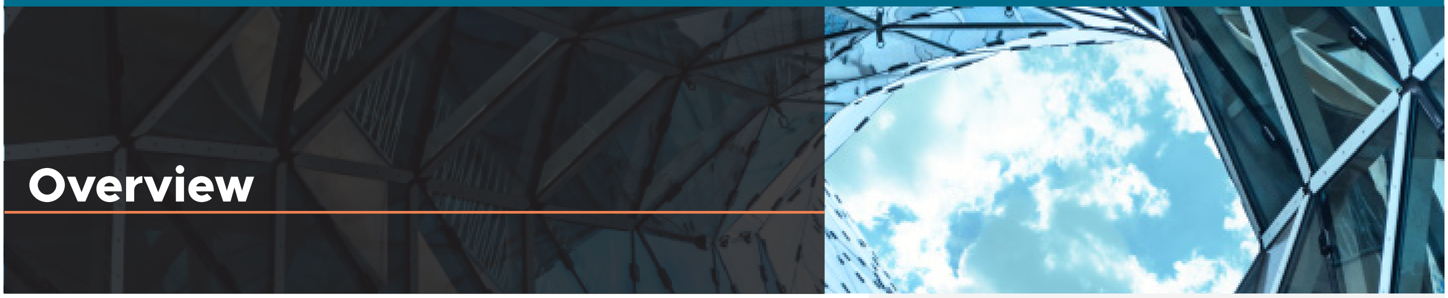
upon for insurable value purposes. The Appraiser is not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The Appraiser is not a cost expert in cost estimating for insurance purposes.

4) The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States Dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
5) The value estimates reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value estimates, unless such proration or division of interests is set forth in the report. Any division of the land and improvement values estimated herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
6) Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are BBG, Inc.'s best estimate of current market thinking of what future trends will be. No warranty or representation is made that such projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
7) The Appraiser assumes no monetary liability or responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
8) Any proposed or incomplete improvements included in the appraisal report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
9) If the appraisal report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the Appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
10) Although the Appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the Appraiser either by the Client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the Appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or estimates of value.
11) The right is reserved by the Appraiser to make adjustments to the analyses, opinions, and conclusions set forth in the appraisal report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the Appraiser. The Appraiser shall have no monetary liability or responsibility for any unauthorized change(s) to the report.

The submission of the appraisal report constitutes completion of the services authorized and agreed upon. Such appraisal report is submitted on the condition the Client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, or judicial or administrative proceedings. In the event the Appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the Client immediately.

The Client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files, and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the estimate of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the Client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.

BBG
REAL ESTATE SERVICES



Overview

BBG OVERVIEW

BBG is one of the nation's largest real estate due diligence firms with more than 45 offices across the country serving more than 3,000 clients. We deliver best-in-class valuation, advisory and assessment services with a singular focus of meeting our clients' needs.

Our professional team offers broad industry expertise and deep market knowledge to help clients meet their objectives throughout the real estate life cycle.

BBG clients include commercial real estate professionals, investors, lenders, attorneys, accountants and corporations.

THE BBG DIFFERENCE

National Footprint. BBG is one of only two national firms offering in-house valuation and environmental and property condition assessment services for all commercial property types.

Customer-focused Growth. BBG is one of the largest national due diligence firms because we deliver best-in-class work product and provide excellent customer care.

Qualified Team. Over 50 percent of BBG appraisers are MAI designated and offer deep industry expertise gained through real-world experience.

Unbiased Independence. By focusing exclusively on due diligence services, BBG guarantees an independent perspective free from potential conflicts of interest.

Innovative Technology. BBG has made significant analytics and IT investments to continually improve our data and report quality.

SERVICES

Valuation

+ Single Asset Valuation
+ Portfolio Valuation
+ Institutional Asset Valuation
+ Appraisal Review
+ Appraisal Management
+ Lease and Cost Analysis
+ Insurance Valuation
+ Arbitration & Consulting
+ Feasibility Studies
+ Highest and Best Use Studies
+ Evaluation
+ Investment analysis
+ Tax appeals
+ Litigation Support
+ Manufactured Housing and Campgrounds

Advisory

+ ASC 805 Business combinations
+ ASC 840 Leases
+ Purchase Price Allocations
+ Portfolio Valuations for reporting net asset values (NAV)
+ Public and non-traded REIT valuations
+ Valuations for litigation and litigation support
+ Sale-leaseback valuation analysis
+ Valuations for bankruptcy/fresh start accounting
+ Cost segregation analysis

Assessment

+ Environmental due diligence
+ Property condition consulting
+ Small loan services
+ Energy consulting
+ Environmental consulting
+ Zoning
+ ALTA Surveys

Valuation + Assessment

ADDENDA

GLOSSARY

Appraisal: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.[7]

Appraisal Practice: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review.[7]

Appraisal Review: (noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment, (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.[7]

Appraiser: one who is expected to perform valuation services competently and in a manner that is independent, impartial and objective.[7]

Appraiser's Peers: other appraisers who have expertise and competency in a similar type of assignment.[7]

Assessed Value: The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. [1]

Asset:

1. Any item, the rights to which may have economic value, including financial assets (cash or bonds), business interests, intangible assets (copyrights and trademarks), and physical assets (real estate and personal property).
2. In general business usage, something owned by a business and reflected in the owner's business sheet.

Asset: A resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity. [2]

Assignment: a valuation service that is provided by an appraiser as a consequence of an agreement with a client.[7]

Assignment Conditions: Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulation, jurisdictional exceptions, and other conditions that affect the scope of work.[7]

Assignment Elements: Specific information needed to identify the appraisal or appraisal review problem: client and any other intended users, intended use of the appraiser's opinions and conclusions, type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.[7]

Assignment Results: An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.[7]

Bias: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.[7]

Business Enterprise: an entity pursuing an economic activity.[7]

Business Equity: the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants).[7]

Capital Expenditure: Investments of cash (or the creation of liability) to acquire or improve an asset, e.g., land, buildings, building additions, site improvements, machinery, equipment; as distinguished from cash outflows for expense items that are normally considered part of the current period's operations. Also referred to as Cap Ex.[1]

Cash Equivalency Analysis: An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.[1]

Client: the party or parties (i.e., individual, group or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.[7]

Condominium Ownership: A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real estate.[1]

Confidential Information:

1: information that is either:

- Identified by the client as confidential when providing it to a valuer and that is not available from any other source, or
- Classified as confidential or private by applicable law or regulation.

2: Information that is either

- Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or
- Classified as confidential or private by applicable law or regulation *
- NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. Significant liability exists for appraisers should they fail to comply with these FTC rules. [7]

Cost: the actual or estimated amount required to create, reproduce, replace or obtain a property.[7]

Cost Approach: A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. [1]

Credible: worthy of belief.[7]

Deferred Maintenance: Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.[1]

Disposition Value: The most probable price that a specified interest in real property should bring under the following conditions: 1) Consummation of a sale within a specific time, which is short than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration of the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms. [1]

Economic Life: The period over which improvements to real estate contribute to property value. [1]

Effective Date: the date to which the appraiser's analysis, opinions and conclusions apply, also referred to as date of value.[7]

Effective Gross Income Multiplier (EGIM): The ratio between the sale price

(or value) of a property and its effective gross income.[1]

Effective Rent: Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions, the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. [1]

Exposure Time: an opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at the market value on the effect date of the appraisal.[7]

Extraordinary Assumption: an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.[7]

Fair Market Value:

1. In nontechnical usage, a term that is equivalent to the contemporary usage of market value.
2. As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. For example, one definition of *fair market value* provided by the Internal Revenue Service for certain purposes is as follows: The price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. (IRS Regulation §20.2031-1) [1]

Fair Share:

1. A share of a fund or deposit that is divided or distributed proportionately.
2. A share of a burden or obligation that is divided proportionately; e.g., a tenant in a multitenant building or development may be required to pay a pro rata share of the building's operating expenses based on the number of square feet the tenant occupies. In a shopping center, the tenant's share of operating costs is often stated as a fraction, with the gross leasable area of the tenant's premises as the numerator and the gross leasable area or gross leased area of the entire shopping center as the denominator.
3. The share of a trade area that a retail facility is likely to capture; assumes that capture is a function of property size as a proportion of the overall inventory of competitive space in the trade area, i.e., that the facility captures a "fair share" of the trade area.[1]

Fair Value:

1. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (FASB)
2. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. (This does not apply to valuations for financial reporting.) (IVS).[1]
3. The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.[2]

Feasibility Analysis: a study of the cost benefit relationship of an economic endeavor.[1]

Fee Simple Estate: Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. [1]

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. [1]

Going Concern:

1. An established and operating business having an indefinite future life.
2. An organization with an indefinite life that is sufficiently long that, over time, all currently incomplete transformations [transforming resources from one form to a different, more valuable form] will be completed. [1]

Gross Building Area (GBA):

1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the super structure and substructure basement; typically does not include garage space. [1]

Highest and Best Use:

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS).
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) [1]

Hypothetical Condition: a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.[7]

Income Capitalization Approach: Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income. [1]

Inspection: Personal observation of the exterior or interior of the real estate that is the subject of an assignment performed to identify the property characteristics that are relevant to the assignment, such as amenities, general physical condition, and functional utility. Note that this is not the inspection process performed by a licensed or certified building inspector. [1]

Insurable Value: A type of value for insurance purposes. [1]

Intangible Property (intangible Assets): Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.[7]

Intended Use: the user(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.[7]

Intended User: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.[7]

Internal Rate of Return ("IRR"): The annualized yield rate or rate of return on capital that is generated or capable of being generalized within an investment of portfolio over a period of ownership. Alternatively, the indicated return of capital associated with a projected or pro forma income stream. The discount rate that equates the present value of the net cash flows of a project with the present value of the capital investment. It is the rate at which the Net Present Value (NPV) equals zero. The IRR reflects both the return on invested capital and the return of the original investment, which are basic considerations of potential investors. Therefore, deriving the IRR from analysis of market transactions of similar properties having comparable income patterns is a proper method for developing market discount rates for use in valuations to arrive at Market Value. Used in discounted cash flow analysis to find the implied or expected rate of return of the project, the IRR is the rate of return which gives a zero net present value (NPV). See also equity yield rate (YE); financial management rate of return (FMRR); modified internal rate of return (MIRR); yield rate (Y). [1]

Investment Value: 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (IVS)[1]

Jurisdictional Exception: an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.[7]

Leasehold Interest: The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. [1]

Leased Fee Interest: The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.[1]

Liquidation Value: The most probable price that a specified interest in real

property should bring under the following conditions: 1) Consummation of a sale within a short time period; 2) The property is subjected to market conditions prevailing as of the date of valuation; 3) Both the buyer and seller are acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.[1]

Load Factor: A measure of the relationship of common area to useable area and therefore the quality and efficiency of building area layout, with higher load factors indicating a higher percentage of common area to overall rentable space than lower load factors; calculated by subtracting the amount of usable area from the rentable area and then dividing the difference by the usable area: [1]

Load Factor =

(Rentable Area – Useable Area) Usable Area

Market Value: a type of value stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal.[7]

Market Value "As If Complete" On The Appraisal Date: Market value as if complete on the effective date of the appraisal is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value "As Is" On The Appraisal Date: Value As Is -The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. See also effective date; prospective value opinion.

Market Value of the Total Assets of the Business: The market value of the total assets of the business is the market value of all of the tangible and intangible assets of a business as if sold in aggregate as a going concern. This assumes that the business is expected to continue operations well into the future. [4]

Marketing Time: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property Market Value Opinions” address the determination of reasonable exposure and marketing time.). [3]

Mass Appraisal: the process of valuing a universe of properties as of a given date using standard methodology, employing common data and allowing for statistical testing.[7]

Mass Appraisal Model: a mathematical expression of how supply and demand factors interact in a market.[7]

Misleading: intentionally or unintentionally misrepresenting, misstating or concealing relevant facts or conclusions.[7]

Net Lease: A lease in which the landlord passes on all expenses to the tenant. See also lease. [1]

Net Rentable Area (NRA): 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor.[5]

Penetration Ratio (Rate): The rate at which stores obtain sales from within a trade area or sector relative to the number of potential sales generated; usually applied to existing facilities. Also called: penetration factor.[1]

Personal Inspection: a physical observation performed to assist in identifying relevant property characteristics in a valuation service.[7]

Personal Property: any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being “personal”, such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails or designs for digital tokens.[7]

Physical Characteristics: attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgement.[7]

Price: the amount asked, offered or paid for a property.[7]

Prospective opinion of value. A value opinion effective as of a specified future date. The term does not define a type of value. Instead it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. [1]

Real Estate: an identified parcel or tract of land, including improvements, if any.[7]

Real Property: the interests, benefits and rights inherent in the ownership of real estate.[7]

Reconciliation: A phase of a valuation assignment in which two or more value indications are processed into a value opinion, which may be a range of value, a single point estimate, or a reference to a benchmark value. [1]

Relevant Characteristics: features that may affect a property’s value or marketability such as legal, economic or physical characteristics.[7]

Reliable Measurement: [The IAS/IFRS framework requires that] neither an asset nor a liability is recognized in the financial statements unless it has a cost or value that can be measured reliably.[2]

Remaining Economic Life: The estimated period over which existing improvements are expected to contribute eco-nomically to a property; an estimate of the number of years remaining in the economic life of a structure or structural components as of the effective date of the appraisal; used in the economic age-life method of estimating depreciation. [1]

Replacement Cost: The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. [1]

Report: any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.[7]

Retrospective Value Opinion: A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.” [1]

Sales Comparison Approach: The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant when an adequate supply of

comparable sales is available. [1]

Scope of Work: the type and extent of research and analyses in an appraisal or appraisal review assignment.[7]

Signature: personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses and the conclusions in the report.[7]

Stabilized value: A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value. It is also a value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a premium paid due to a temporary shortage of supply.

Substitution: The principle of substitution states that when several similar or commensurate commodities, goods, services are available, the one with the lowest price will attract the greatest demand and widest distribution. This is the primary principle upon which the cost and sales comparison approaches are based. [3]

Total Assets of a Business: Total assets of a business is defined by the Appraisal Institute as "the tangible property (real property and personal property, including inventory and furniture, fixtures and equipment) and intangible property (cash, workforce, contracts, name, patents, copyrights, and other residual intangible assets, to include capitalized economic profit)."

Use Value:

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually. [1]

Valuation Service: a service pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others.[7]

Value: the monetary relationship between properties and those who buy and sell, or use those properties, expressed as an opinion of the worth of a property at a given time.[7]

Workfile: data, information and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP.[7]

[1]Appraisal Institute, *The Dictionary of Real Estate Appraisal, 6*th ed. (Chicago: Appraisal Institute 2010). [2]Appraisal Institute, *International Financial Reporting Standards for Real Property Appraiser, IFRS Website, www.ifrs-ebooks.com/index.html*. [3]Appraisal Institute, *The Appraisal of Real Estate,* 13th ed. (Chicago: Appraisal Institute 2008). [4] This definition is taken from "Allocation of Business Assets Into Tangible and Intangible Components: A New Lexicon," Journal of Real Estate Appraisal, January 2002, Volume LXX, Number 1. This terminology is to replace former phrases such as: value of the going concern. [5]Financial Publishing Company, *The Real Estate Dictionary*, 7 ed. [6] U.S. Treasury Regulations. [7]USPAP 2020-2021

LETTER OF ENGAGEMENT

BBG

June 21, 2022

Fred Ringel, Esq.
Leech Tishman Robinson Brog, PLLC
875 Third Avenue, 9th Floor
New York, NY 10022
212-603-6345
fringel@leechtishman.com

RE: Tillary Hotel
85 Flatbush Avenue Extension
Brooklyn, New York

Dear Mr. Ringel:

We are pleased to submit this proposal and our terms and conditions for the appraisal of the above-referenced real estate.

PROPOSAL SPECIFICATIONS

Valuation Premise:	Form an opinion of the as is value.
Property Rights Appraised:	Fee simple interest
Intended Use:	Report used as expert witness testimony in a bankruptcy filing.
Intended Users:	Leech Tishman Robinson Brog PLLC and its related entities, successors, and/or assigns
Scope of Work:	The appraisal will include any approach to value that is applicable and necessary to the assignment.
Appraisal Standards:	Uniform Standards of Professional Appraisal Practice (USPAP), Financial Institution Reform, Recovery, and Enforcement Act (FIRREA), December 2010 Interagency Appraisal and Evaluation Guidelines, and Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
Fee:	$10,000
Payment Terms:	Full payment is due and payable upon delivery of the final report or within 30 days of your receipt of our draft report, whichever is sooner. If a draft report is requested, the full fee is considered earned upon delivery of our draft report.
Report Copies:	PDF delivery of draft and/or final report

Delivery Date:	Delivery of the appraisal conclusions and/or report will be within one business day, pending timely receipt of your written authorization to proceed and any necessary data.
Acceptance Date:	Date of execution

The attached terms and conditions of the engagement are deemed part of this Appraisal Services Agreement and are incorporated fully herein by reference and shall apply to any appraisal reports, contract or orders into which they are incorporated. In addition, with respect to any appraisal report, any use of or reliance on the appraisal by any party, regardless of whether the use or reliance is authorized or known by BBG, Inc. and its agents, servants, employees, principals, affiliated companies and all those in privity with them, constitutes acceptance of such terms and conditions of the engagement, as well as acceptance of all other appraisal statements, limiting conditions and assumptions stated in the appraisal report. Use of this appraisal report constitutes acknowledgement and acceptance of the terms and conditions of the engagement, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this estimate of market value is based. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Jon DiPietra, MAI
Senior Managing Director
As Agent for BBG, Inc.

AGREED AND ACCEPTED

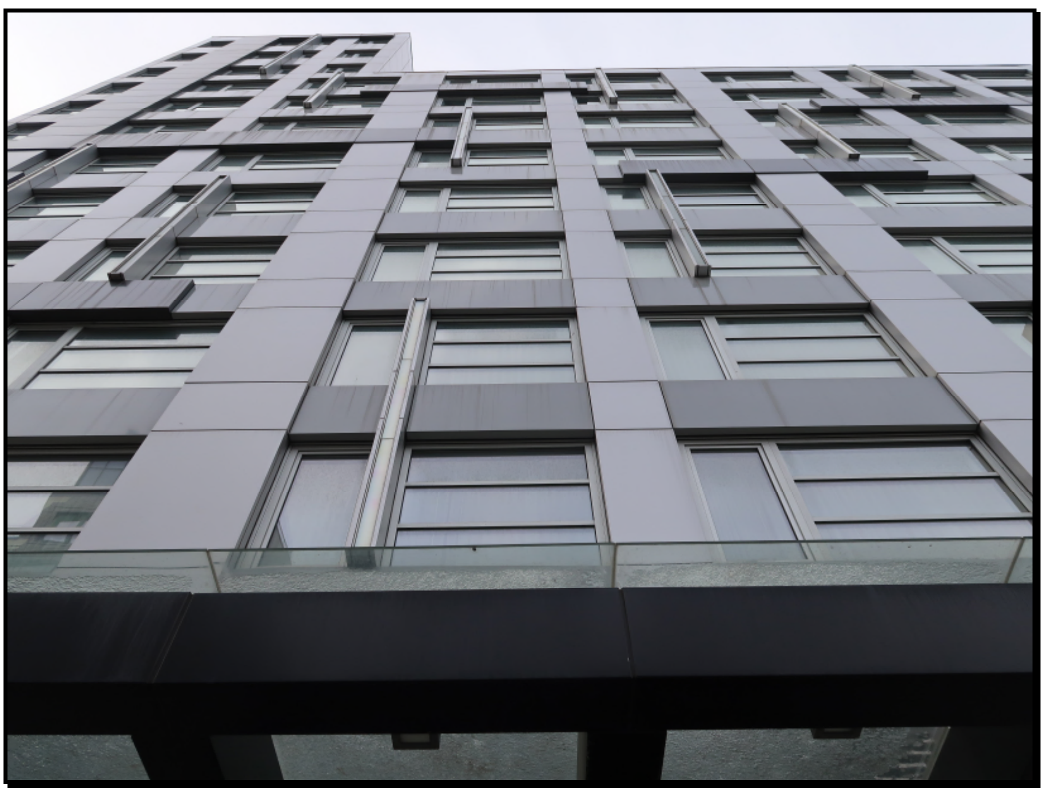
Client Signature

6/21/2022

Date

SUBJECT PHOTOS

Subject Property



Facade

Apartment Example

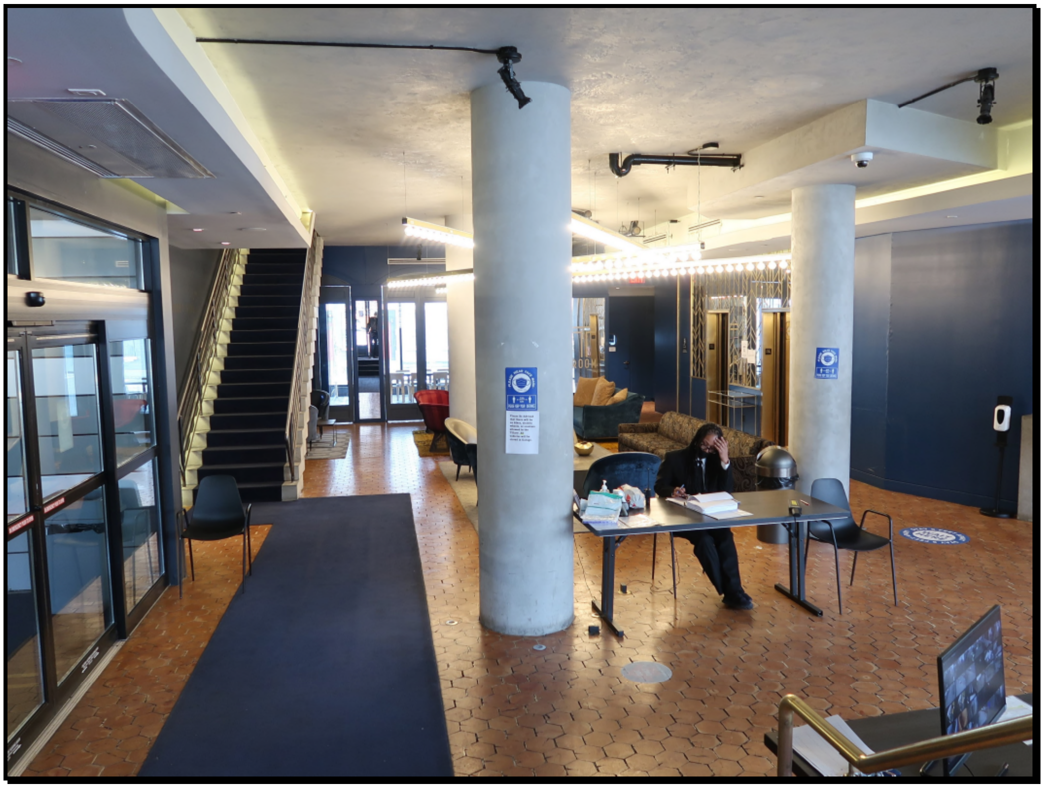
Roof

Bathroom Example

Washer Dryer

Hallway

Hotel Bar



Lobby

Hotel Entrance

Garage Entrance

Ballrom

Kitchen

IBIS WORLD COMMUNITY HOUSING – HOMELESS SHELTERS IN THE US REPORT

IBISWorld
WHERE KNOWLEDGE IS POWER

INDUSTRY REPORT 62422

Community Housing & Homeless Shelters in the US

Home sweet home: Decreasing federal funding for social services is likely to result in less funding for industry services

Jack Curran | February 2021

Contents

COVID-19 (Coronavirus) Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

· Shelter-in-place orders as a result of the COVID-19 (coronavirus) pandemic have caused a surge in the unemployment rate. While government measures to prevent homelessness have helped, these policies are expected to expire. For more detail, please see the Current Performance chapter.

· Cities and states have increased funding for community housing as the coronavirus pandemic has highlighted the severity of homelessness in the United States. For more detail, please see the Current Performance chapter.

· Over the five years to 2026, the coronavirus pandemic could result in an increase in unemployment, which could lead to increased homelessness. However, without additional funding, revenue for the Community Housing and Homeless Shelters industry will likely decline. For more detail, please see the Industry Outlook chapter.

Note: The content in this report is currently being updated to reflect the trends outlined above.

About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you, your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

About This Industry

Industry Definition

This industry provides a variety of community housing services, including short-term emergency shelter for victims of domestic violence, sexual assault or child abuse; temporary residential shelter for the homeless, runaway youths and parents and families caught in medical crises; transitional housing and assisted living for low-income individuals and families; and volunteer construction or repair of low-cost housing.

Major Players

There are no major players in this industry

Main Activities

The primary activities of this industry are:

Short-term emergency shelter for victims of domestic violence, sexual assault or child abuse

Temporary residential shelter for homeless, runaway youths and families caught in medical crises

Transitional and assisted housing for low-income individuals and families

Volunteer construction or repair of low-cost housing

Repair of homes for elderly or disabled homeowners

The major products and services in this industry are:

Temporary and emergency shelters

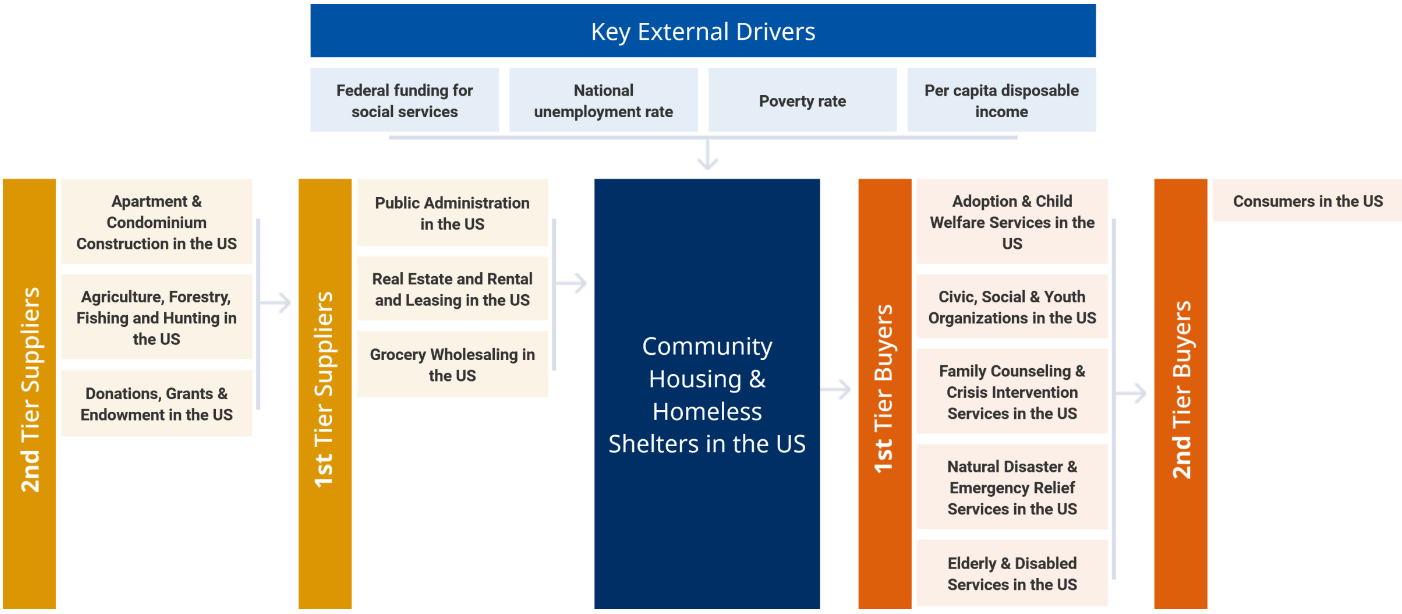
Permanent supportive housing

Transitional housing

Construction and repairs

Other

Supply Chain



SIMILAR INDUSTRIES

Adoption & Child Welfare Services in the US
Complementor

Elderly & Disabled Services in the US
Complementor

Family Counseling & Crisis Intervention Services in the US
Complementor

Natural Disaster & Emergency Relief Services in the US
Complementor

RELATED INTERNATIONAL INDUSTRIES

Crisis and Care Accommodation in Australia

Crisis and Care Accommodation in New Zealand

Industry at a Glance

Key Statistics

$17.4bn
Revenue

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
5.3%	-2.7%	

$1.2bn
Profit

Annual Growth 2016–2021	Annual Growth 2016–2021
54.0%	

6.7%
Profit Margin

Annual Growth 2016–2021	Annual Growth 2016–2021
5.7pp	

11,241
Businesses

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
1.4%	-0.2%	

158k
Employment

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
2.9%	-1.3%	

$5.6bn
Wages

Annual Growth 2016–2021	Annual Growth 2021–2026	Annual Growth 2016–2026
3.6%	-1.5%	

Key External Drivers

% = 2016–21 Annual Growth

0.7%
National unemployment rate

3.0%
Per capita disposable income

0.2%
Federal funding for social services

0.0%
Poverty rate

Industry Structure

POSITIVE IMPACT

Capital Intensity
Low

Industry Assistance
High / Steady

Concentration
Low

Technology Change
Low

Industry Globalization
Low / Increasing

Competition
Low / Steady

MIXED IMPACT

Life Cycle
Mature

Regulation & Policy
Medium / Steady

NEGATIVE IMPACT

Revenue Volatility
High

Barriers to Entry
Low / Steady

Key Trends

- Many cities and states have invested in opening new permanent housing and shelters
- The nation's homeless population has kept funding levels high for industry programs
- An important influence on the industry is charitable donations
- Operators will need to emphasize other forms of funding to make up for the loss of revenue
- Many homeless shelters are expected to close as unemployment begins to decrease
- Programs critical to combating homelessness have experienced small victories
- Overall growth in the homeless population has been slow, largely due to declines in the unemployment and poverty rates

Products & Services Segmentation

Community Housing & Homeless Shelters
Source: IBISWorld

Major Players

There are no major players in this industry

SWOT

S STRENGTHS

- High & Steady Level of Assistance
- Low Competition
- Low Imports
- Low Customer Class Concentration
- Low Product/Service Concentration
- Low Capital Requirements

W WEAKNESSES

- Low & Steady Barriers to Entry
- High Volatility
- Low Profit vs. Sector Average
- Low Revenue per Employee

O OPPORTUNITIES

- High Revenue Growth (2016-2021)
- High Revenue Growth (2021-2026)
- High Performance Drivers
- Per capita disposable income

T THREATS

- Low Revenue Growth (2005-2021)
- Low Outlier Growth
- Federal funding for social services

Executive Summary

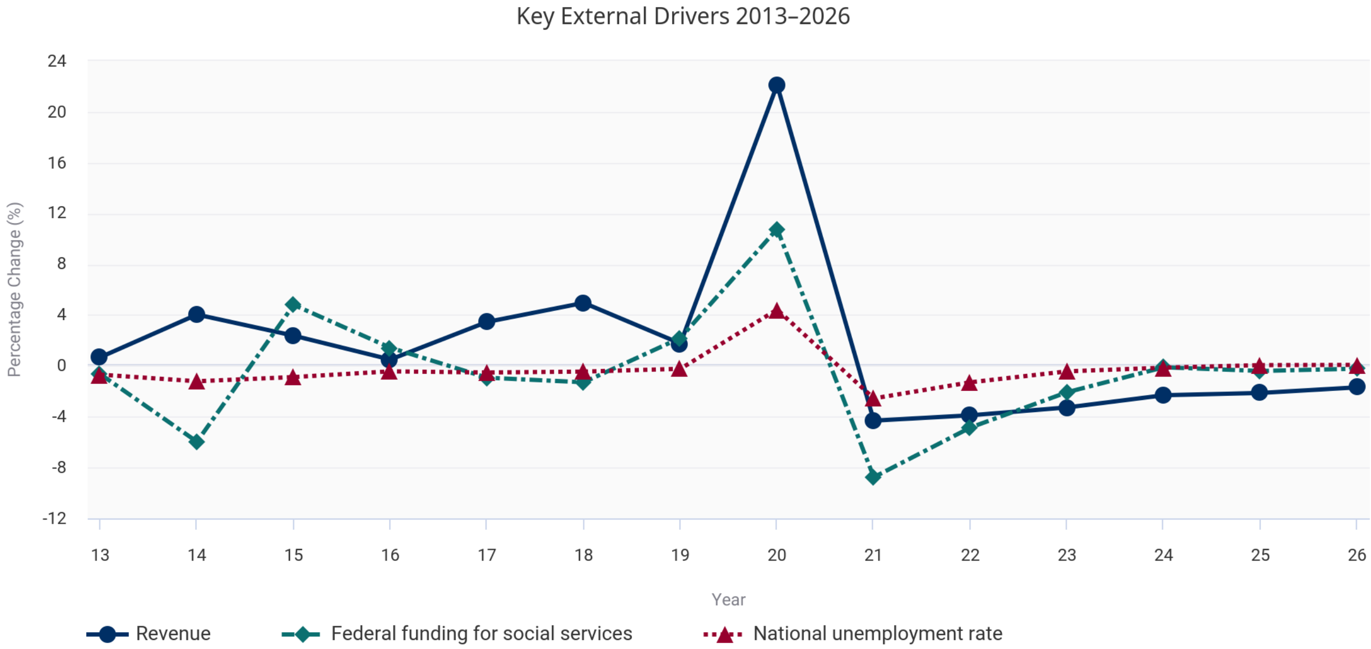
Home sweet home: Decreasing federal funding for social services is likely to result in less funding for industry services

According to the 2019 Annual Homeless Assessment Report, on any given night in 2019, there were 567,715 homeless individuals (latest data available). This number marks an increase from 2016 due to a slight decrease in funding for the Department of Housing and Urban Development (HUD). The Community Housing and Homeless Shelters industry is closely tied to the rate of homelessness in the US, since the industry provides housing to the homeless. The industry generates revenue from HUD funding as well as grants from other government agencies and private organizations. Shelters and other industry operators with higher occupancy rates typically generate greater revenue, since they are the facilities that most need funding. As a result, as homelessness has increased over the five years to 2021, industry revenue is expected to increase at an annualized rate of 5.2% to $17.4 billion. Meanwhile, industry profit is expected to remain low, as nearly all industry companies are nonprofits.

However, overall growth in the homeless population has been slow, largely due to declines in the unemployment and poverty rates. The unemployment rate is usually closely tied to the homeless population, due to the fact that people are more likely to be unable to pay for housing if they are out of work. However, in 2020, the unemployment rate skyrocketed as a result of the COVID-19 (coronavirus) outbreak. The federal government has approved measures to increase unemployment benefits and provide individuals with stimulus checks, while state governments have put holds on evictions. While these measures have protected people from losing their homes so far, most of these measures are set to run out before the pandemic has fully passed. Meanwhile, funding for shelters has increased in many cities as local governments are faced with the possibility of sending residents in temporary shelters back onto the streets. In response to this risk, many cities approved the funding of new permanent housing and shelters. However, as the pandemic begins to pass and unemployment declines, industry revenue is expected to fall 4.3%.

Over the five years to 2026, homelessness is not expected to increase significantly. However, federal funding for social services is likely to decrease, resulting in less funding for industry services. As a result, over the next five years, industry revenue is projected to decline at an annualized rate of 2.7% to $15.2 billion in 2026.

Industry Performance



Community Housing & Homeless Shelters
Source: IBISWorld

Key External Drivers

Federal funding for social services

The majority of industry revenue comes from the federal, state and local government-funded homeless and housing assistance programs. Any changes in funding or government policy will drastically affect industry revenue. Federal funding for social services is expected to decrease in 2021, posing a potential threat to the industry.

National unemployment rate

Unemployment usually leads to a decline in income, which makes housing less affordable. A rise in the national unemployment rate will increase demand for community housing services. Conversely, a decrease in the unemployment rate will reduce the number of individuals seeking the services provided by the industry. The national unemployment rate is expected to decrease in 2021.

Poverty rate

A rise in the poverty rate increases the number of individuals seeking community housing and shelter services, increasing demand for the industry. Conversely, as individuals earn more money, housing becomes more affordable and demand for the industry decreases. The poverty rate is expected to increase in 2021, posing a potential opportunity to the industry.

Per capita disposable income

An increase in per capita disposable income will decrease demand for community housing services because individuals are more likely to afford their own housing arrangements when disposable income is higher. Per capita disposable income is expected to decrease in 2021.

Industry Performance 2013–2026

Current Performance

The Community Housing and Homeless Shelters industry directly benefits from increases in unemployment and poverty.

When unemployment is high, more people cannot afford housing and require industry services. In 2019, the unemployment and poverty rates reached a 10-year low (latest data available). However, while these factors are typically closely tied to homelessness, the number of homeless people has increased over the five years to 2021. This has partially been due to decreased funding for social services and the US Department of Housing and Urban Development (HUD). Meanwhile, natural disasters such as the California wildfires have contributed to people needing emergency shelter. As a result, over the five years to 2021, industry revenue is expected to increase at an annualized rate of 5.2% to $17.4 billion.

COUNTERCYCLICAL

Nonprofit organizations account for 97.6% of industry establishments, which indicates that market forces have little effect on industry performance.

In fact, since this is a social-assistance industry, performance is somewhat countercyclical compared with overall economic indicators. Lower economic growth, higher unemployment and increased poverty levels tend to increase demand for community housing services. As a result, the industry grew strongly during and after the recession. Since 2016, the poverty rate and the national unemployment rate have been on the decline, which has slowed the increase in government funding for homeless and housing assistance programs. Nevertheless, high demand from low-income individuals and the nation's homeless population has kept funding levels high for industry programs.

However, in 2020, the unemployment rate is expected to skyrocket as a result of the COVID-19 (coronavirus) outbreak. To limit the spread of the virus, many cities and states have instituted shelter-in-place orders that require nonessential businesses to keep their employees at home. Many of the companies affected by these orders have been forced to lay off or furlough their employees so that they can apply for unemployment benefits. As a result, in 2020 the unemployment rate is expected to rise 126.4%. However, many of these businesses are expected to rehire their employees when the shelter-in-place orders have been lifted. Meanwhile, the federal government has approved plans to increase unemployment benefits and provide people with stimulus checks, while many states have restricted evictions. However, these policies are temporary and are set to expire before the pandemic fully passes. As a result, the long-term effects of the pandemic on homelessness will largely be determined by how governments continue to respond to the crisis.

However, while the long-term effects on homelessness remain to be seen, revenue rose significantly in 2020. As the disease has spread, homeless shelters have needed to increase safety measures to ensure that residents stay healthy. While some shelters have been forced to temporarily close, most have stayed open. However, with increased costs, additional funding has been crucial. Some state and local government agencies have increased

funding for shelters, while nonprofits and charities have increased grants to support industry operators. Additionally, with increased public attention given to homelessness, many cities and states have invested in opening new permanent housing and shelters. However, as the pandemic passes, increased funding is expected to fall as the need for temporary shelters begins to decline. As a result, in 2021, industry revenue is expected to fall 4.3%.

PERFORMANCE FACTORS

Another important influence on the industry is charitable donations.

As Americans become wealthier, they are more willing to give to charities. Contributions to industry organizations typically trend in line with fluctuations in corporate profit and individual wealth; corporate donations are heavily dependent on corporate profit levels because businesses are less likely to give during periods of poor financial performance. However, this benefit has been limited by the 2017 Tax Cuts and Jobs Act, which lowered individual tax rates, and lowered the incentive for individuals to make charitable donations. As a result, charitable giving has decreased since 2017, limiting another source of revenue for industry operators.

Despite lower funding and giving for the industry, companies are expected to maintain their average profit. Most companies in the industry are not-for-profit, so most industry operators do not generate operating profit. However, industry profit, measured as earnings before interest and taxes, for for-profit operators in the industry is expected to account for 6.7% of industry revenue in 2021.

Because most industry operators are nonprofit organizations, fluctuations in profit and revenue do not drive companies to enter the industry. If there is need in an area, homeless shelters are likely to find a way to stay operational. As a result, over the five years to 2021, the number of industry establishments is expected to increase at an annualized rate of 1.8% to 13,682 locations. Meanwhile, demand for labor is likely to grow as the industry expands. Over the five years to 2021, the number of industry employees is expected to increase at an annualized rate of 2.9% to 157,590 workers.

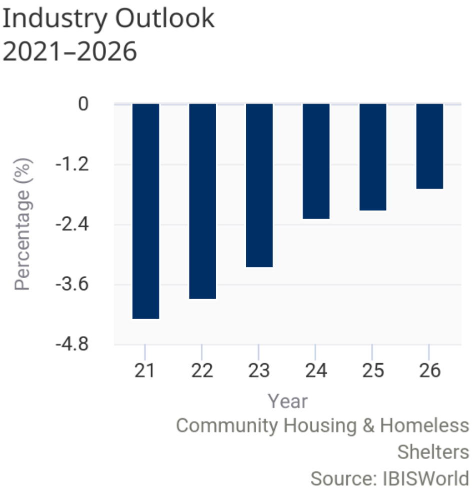
Historical Performance Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Federal funding for social programs ($b)
2012	12,501	5,274	12,456	10,486	127,551	N/A	N/A	4,212	N/A	17.9
2013	12,587	4,988	12,150	10,212	124,967	N/A	N/A	4,081	N/A	17.8
2014	13,096	4,675	12,301	10,340	127,992	N/A	N/A	4,256	N/A	16.7
2015	13,408	5,256	12,371	10,358	130,733	N/A	N/A	4,452	N/A	17.5
2016	13,476	5,124	12,508	10,482	136,864	N/A	N/A	4,692	N/A	17.7
2017	13,943	5,428	12,887	10,620	140,110	N/A	N/A	4,885	N/A	17.6
2018	14,635	5,921	12,505	10,346	137,211	N/A	N/A	4,838	N/A	17.4
2019	14,893	6,197	12,632	10,442	139,365	N/A	N/A	4,916	N/A	17.7
2020	18,186	7,434	13,766	11,286	160,722	N/A	N/A	5,736	N/A	19.7
2021	17,403	7,175	13,682	11,241	157,590	N/A	N/A	5,597	N/A	17.9

Industry Outlook

Outlook

After reaching a 10-year low in 2019, the unemployment and poverty rates are projected to increase over the five years to 2026.



In addition, with more than 567,000 homeless people on the street on any given night and an estimated 45.3 million Americans living in poverty (12.0% of the population), the need for homeless and housing services in the United States will not disappear overnight. Further, under a more conservative administration, federal funding for social programs is likely to fall over the next five years. As a result, IBISWorld forecasts that revenue for the Community Housing and Homeless Shelters industry will decrease at an annualized rate of 2.7% to $15.2 billion over the five years to 2026. Profit across the industry is expected to remain low as the majority of industry players are nonprofit organizations.

Despite being an essential service, many homeless shelters are expected to close as unemployment begins to decrease and funding for community housing declines. As a result, establishments are expected to decrease at an annualized rate of 0.3%, totaling 13,454 locations over the five years to 2026. This decline could also be more significant if the industry continues to struggle with federal funding. Additionally, as federal funding declines there will be less money for labor. As a result, over the next five years, industry employment is projected to decline at an annualized rate of 1.3% to 147,906.

SOLVING THE PROBLEM

After years of large increases in funding levels, programs critical to combating homelessness have experienced small victories.

For example, the overall rate of homelessness has decreased over the five years to 2021, along with declines in the unemployment and poverty rates. However, there is still much work to do; according to the 2019 Annual Homeless Assessment Report (AHAR), even though the number of homeless individuals is expected to decrease, there will likely continue to be a significant number of homeless people in need of industry services, keeping shelters and temporary housing services operating at full capacity (latest data available).

However, the COVID-19 (coronavirus) pandemic drove unemployment up significantly in 2020. While much of this unemployment will be temporary, a portion will not, as small businesses may not be able to reopen, or businesses open with limited operations after shelter-in-place orders are lifted. While unemployment is expected to decrease over the five years to 2026, it will be starting the five-year period at a high point. The long-term economic effects of the coronavirus outbreak remain to be seen, but if unemployment remains high, homelessness is likely to rise, contributing to greater need for industry services.

The Department of Housing and Urban Development (HUD), along with its federal partners, have set an ambitious list of goals to complete over the coming years. According to the 2017 AHAR, by 2020, HUD aimed to end homelessness among families, youth and children. However, despite these goals, HUD funding declined in 2018, suggesting funding for social programs may be at risk over the next five years. As the government operates under a more conservative administration, federal funding for social services is projected to fall at an annualized rate of 1.5% over the next five years.

INDUSTRY TRENDS

The major strategies for HUD, as outlined in the Overview of the

President's Budget for 2020, have shifted toward reducing costs.

In 2019, HUD had a budget of $41.2 billion, up slightly from 2018. While this was an increase, the HUD budget had declined 13.2% in 2018, so in 2019, the department held at a low point. However, the department aims to continue support for the 4.5 million households currently assisted by HUD. The department plans to reduce its spending through rental assistance reforms and by eliminating funding for programs. These funding reductions will greatly limit revenue for the industry. Industry operators will likely need to emphasize other forms of funding, such as private donations, to make up for the loss of revenue. However, as unemployment is expected to begin rising over the next five years, industry enterprises can hope for higher federal funding further in the future. If demand for industry services begins to rise rapidly, lawmakers may be swayed to increase funding for community housing.

Performance Outlook Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Federal funding for social programs ($b)
2021	17,403	7,175	13,682	11,241	157,590	N/A	N/A	5,597	N/A	17.9
2022	16,727	6,952	13,600	11,194	154,721	N/A	N/A	5,472	N/A	17.1
2023	16,181	6,796	13,538	11,161	152,350	N/A	N/A	5,369	N/A	16.7
2024	15,807	6,683	13,510	11,151	150,695	N/A	N/A	5,298	N/A	16.7
2025	15,472	6,572	13,456	11,119	149,018	N/A	N/A	5,228	N/A	16.6
2026	15,211	6,495	13,454	11,129	147,906	N/A	N/A	5,179	N/A	16.6
2027	14,897	6,398	13,420	11,115	146,297	N/A	N/A	5,113	N/A	16.5

Industry Life Cycle

The life cycle stage of this industry is ⊖ Mature

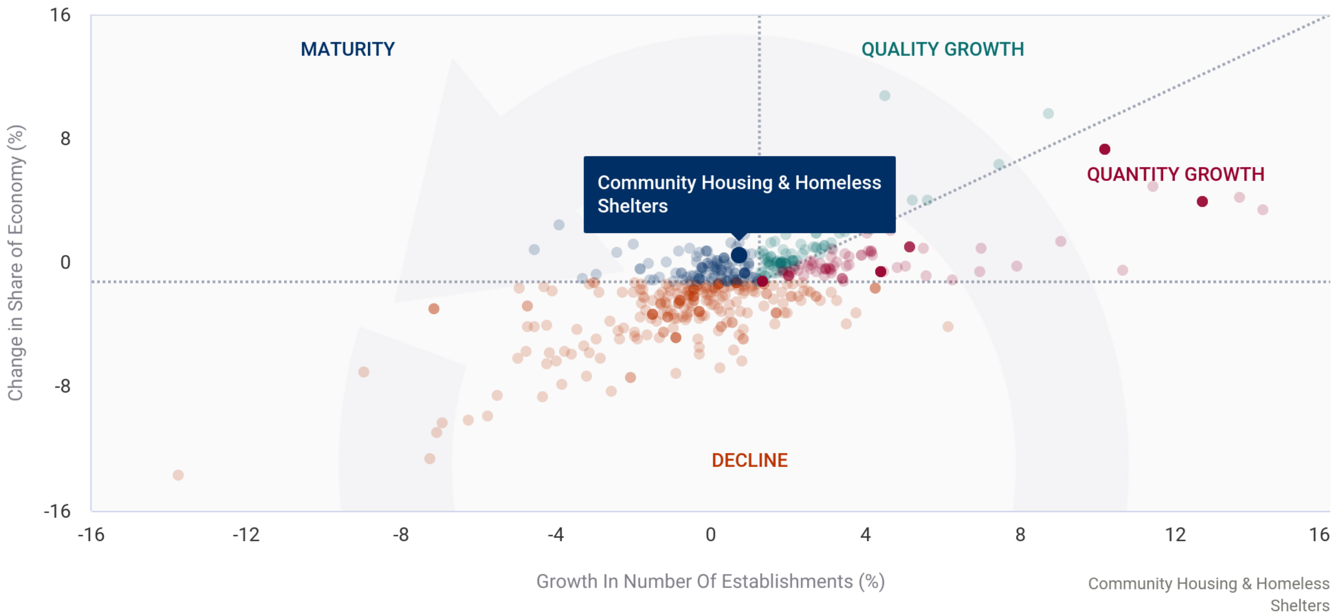
LIFE CYCLE REASONS

Governments have a long history in the provision of general welfare services, including community housing services

Access to stable housing is in the national interest because it provides a foundation for constructive social interaction

IVA is expected to grow almost at the same pace as US GDP

Indicative Industry Life Cycle



Source: IBISWorld

The US government has a long history of providing a safety net for the economic disruptions of its citizens by taking responsibility for providing minimum levels of education, food, shelter, safety and protection. The provision of stable, affordable housing helps build the foundation for constructive social interaction, such as improved employment opportunities, independence, self-esteem and physical safety. The US government currently provides funding for federal housing initiatives and combat homelessness; the Department of Housing and Urban Development funds for federal, state and local housing and homeless assistance programs that make up the majority of players in the Community Housing and Homeless Shelters industry. As the industry is so heavily funded by the government, and is so entrenched in US values, it is best described as being in the mature phase of its life cycle.

Industry value added (IVA), which measures the industry's contribution to the economy, is expected to increase at an annualized rate of 2.4% over the 10 years to 2026, as a result of falling demand for industry services. Meanwhile, US GDP is estimated to increase at an annualized rate of 1.9%. Typically, an industry growing at a pace similar to that of GDP is in the mature stage of its life cycle. Furthermore, both demand and federal funding for public and emergency housing are not likely to diminish or increase substantially over the five years to 2026, maintaining this industry's maturity.

Products & Markets

Supply Chain

Key Buying Industries

1st Tier

- Adoption & Child Welfare Services in the US
- Civic, Social & Youth Organizations in the US
- Family Counseling & Crisis Intervention Services in the US
- Natural Disaster & Emergency Relief Services in the US
- Elderly & Disabled Services in the US

2nd Tier

- Consumers in the US

Key Selling Industries

1st Tier

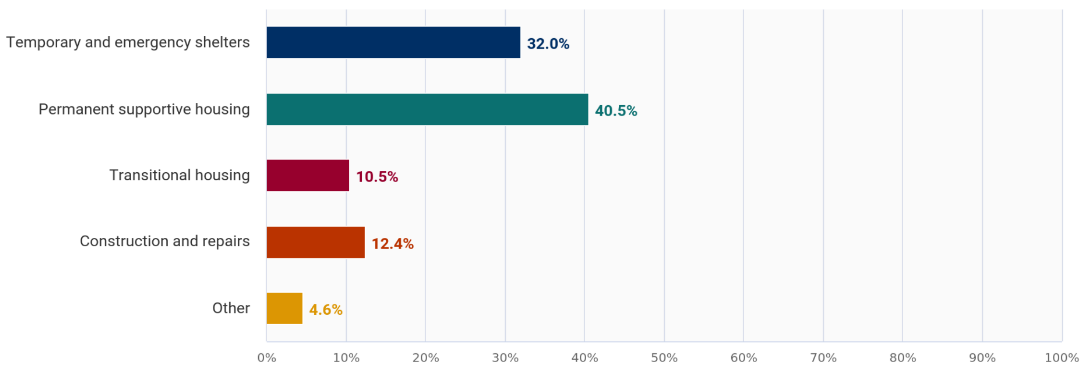
- Public Administration in the US
- Real Estate and Rental and Leasing in the US
- Grocery Wholesaling in the US

2nd Tier

- Apartment & Condominium Construction in the US
- Agriculture, Forestry, Fishing and Hunting in the US
- Donations, Grants & Endowment in the US

Products & Services

Products and Services Segmentation



2021 INDUSTRY REVENUE

$17.4bn

Community Housing & Homeless Shelters
Source: IBISWorld

PERMANENT SUPPORTIVE HOUSING

According to the 2019 Annual Homeless Assessment Report (AHAR), permanent supportive housing accounts for 40.5% of the beds in the Community Housing and Homeless Shelters industry (latest data available).

The Supportive Housing Program, sponsored by the Department of Housing and Urban Development (HUD), is designed to develop supportive housing and services that will enable homeless persons to live as independently as possible and successfully make the transition away from homelessness. States, units of local government, other governmental entities such as public housing authorities and private nonprofit organizations that provide permanent supportive housing programs are eligible to receive HUD funding.

In 2021, this segment is expected to receive a significant boost due to the COVID-19 (coronavirus) pandemic. As homeless populations in cities have been impacted by the virus, the need for permanent shelters has become more apparent. In the early days of the pandemic, cities established temporary shelters to help the homeless avoid contracting or spreading the virus. However, as the country begins to reopen, rather than send these people back onto the streets, local and state governments have begun opening new permanent housing establishments that residents will be able to move to after the pandemic passes.

TEMPORARY AND EMERGENCY SHELTERS

According to the 2019 AHAR, emergency shelters for victims of domestic violence, sexual assault or child abuse, runaway youths and families displaced because of medical crises account for 32.0% of total community housing and shelter beds in the United States.

Often, these emergency shelters are specifically for women and children and provide 24-hour staffing and crisis

services, including counseling, domestic violence education, support groups and addiction recovery facilities.

In addition to HUD, a range of federal departments, such as the Department for Health and Human Services (HHS) and the Department of Veterans Affairs (VA) have programs in place to help homeless people. In 2010, President Obama launched the Opening Doors campaign, which seeks to end homelessness among veterans, and homelessness among children, families and youth by 2020. The program aims to meet these goals by increasing access to shelters and stable and affordable housing, improving health and stability and increasing economic stability. Programs such as the Shelter Plus Care Program are large sources of funding for emergency shelters.

This segment is prone to sudden increases and decreases in market share, primarily when contending with natural disasters or other events that cause considerable displacement or impoverishment. The temporary and emergency shelters segment has increased over the past five years because of damages caused by natural disasters, most recently including Hurricanes Harvey and Irma, which struck Texas and Florida, respectively in 2017. Additionally, in 2021, this segment has seen a slight increase as cities have made efforts to provide safe housing for the homeless during the coronavirus pandemic. To do this, many cities have converted hotels into temporary shelters so the homeless can shelter-in-place and avoid contracting or spreading coronavirus.

TRANSITIONAL HOUSING

Transitional housing for low-income individuals and families accounts for an estimated 10.5% of total industry beds.

Transitional housing units are typically single rooms or apartments in a residence that provides supportive services. Residents in transitional housing tend to have longer stay periods compared with temporary and emergency shelters. HUD has three major rental assistance programs (Project-Based Rental Assistance, Tenant-Based Rental Assistance and Public Housing) that collectively provide rental subsidies to an estimated 4.5 million households across the nation. Demand for rental assistance for low-income individuals and families has grown rapidly in the past decade and now accounts for nearly 80.0% of the total HUD budget. These funds go to local government and private nonprofit organizations that assist individuals and families in need with a variety of transitional housing. Often times these housing services also provide job trainings, food support and other counseling services.

OTHER

The other types of shelters and housing options that the industry provides include Safe Heaven shelters and rapid rehousing operations.

Additionally, through HUD funding, nonprofit entities as well as typical construction services build and repair of low-cost housing and repair the homes of elderly or disabled homeowners.

Demand Determinants

Demand for the Community Housing and Homeless Shelters industry is generally influenced by the level of economic growth.

Strong economic growth leads to employment opportunities, job security and wage growth. As individuals who have steady incomes are less likely to depend on community housing services, strong economic conditions tend to reduce industry demand. Conversely, high unemployment and poverty rates make it more difficult for Americans to afford housing and generally lead to higher demand for the Community Housing and Homeless Shelters industry.

Homelessness

According to the 2019 Annual Homeless Assessment Report, between 2018 and 2019, the total number of homeless increased 3.0% (latest data available). The increase in homelessness during the five-year period reflects reduced federal spending on community housing and homeless shelters later during the period. Over the five years to 2025, homelessness is likely to rise as federal spending on social services continues to decline, and the unemployment rate increases.

Labor market

Demand for community housing services is highly correlated with changes in the unemployment rate. A decrease in household disposable income, caused by sudden job losses, is a major factor in the loss of permanent housing. However, in 2020, the unemployment rate rose significantly due to the COVID-19 (coronavirus) pandemic forcing people out of work. While the federal and state governments have made efforts to protect people from homelessness, including stimulus payments and limits on evictions, many of these actions have been temporary and may not last through the duration of the pandemic. The long-term effects of the pandemic on homelessness will largely be determined by how long it takes states to move past the pandemic, and how governments continue to respond to the pandemic.

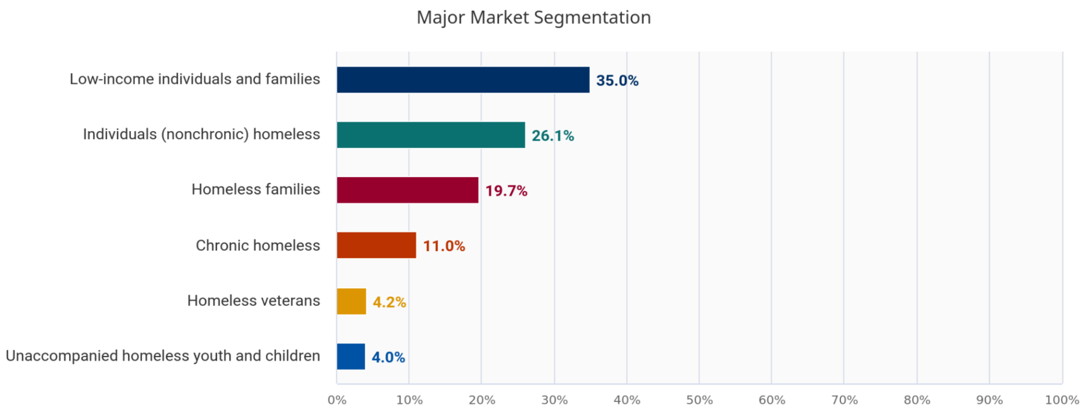
Poverty

Demand for community housing services is linked to the poverty rate; poor people cannot afford to pay normal rent and need assistance, either through community housing or homeless shelters. Since 2015 the poverty rate has been decreasing, lessening demand Community Housing and Homeless Shelters. Over the five years to 2026, the poverty rate is expected to begin rising slowly, contributing slightly to demand.

Public policy

Demand for community housing services is also affected by changes in public policy. Welfare reform in 1996 attempted to move welfare recipients into work and increased self-sufficiency by limiting the period of government welfare assistance and tightening welfare eligibility criteria. Although this reform was successful in moving people off of welfare, the number of working poor, defined as people on minimum wages who also require community housing services, has increased.

Major Markets



2021 INDUSTRY REVENUE

$17.4bn

Community Housing & Homeless Shelters
Source: IBISWorld

As the Community Housing and Homeless Shelters industry provides social assistance for poor Americans, its revenue does not come from purchases by customers.

It receives the majority of its funding from federal, state and local government grants. The US Department of Housing and Urban Development (HUD) is the largest source of funding for the industry. Through HUD, federal programs such as Homeless Assistance Grants and the Supportive Housing Program funnel money down to state and local industry organizations (see Other Companies section for more information). In addition to public funding, the industry receives a significant portion of its revenue from corporate contributions and individual donations. Private nonprofit industry organizations are the recipient of these contributions, getting there full finding through a combination of government grants and private donations. As a consequence of the nature of the industry, the Major Markets section of this report provides a breakdown of the different demographics that consume, but do not fund, industry services.

THE HOMELESS

Homeless individuals and families account for an estimated 64.9% market share for this industry; without a homeless population, there would be essentially no need for homeless shelters and transitional housing.

Most homeless are only temporarily homeless, and soon find housing and a way to stabilize their income. The most common reason for an individual or a family to experience an episode of homelessness is loss of income and inability to pay for housing, and thus the size of demand is dictated largely by unemployment and poverty rates. According to the 2019 Annual Homeless Assessment Report (AHAR), the total number of homeless has increased 3.0% between 2018 and 2019 (latest data available). Members of families made up 19.7% of the homeless population in 2021; 26.1% of the homeless were nonchronic homeless individuals traveling alone; 11.0% of the homeless population can be categorized as chronic homeless, meaning that they had been homeless for one year or more, or had experienced four episodes of homelessness in the past three years; 4.2% of the homeless were veterans; and 4.0% of the homeless population were unaccompanied homeless youth and children (under 24 years old). As federal funds continue to go toward solving homelessness in the United States and as the US economy continues to grow above prerecession figures, the number of homeless is expected continue dropping.

LOW-INCOME INDIVIDUALS AND FAMILIES

Low-income individuals account for an estimated 35.0% of the market for community housing services.

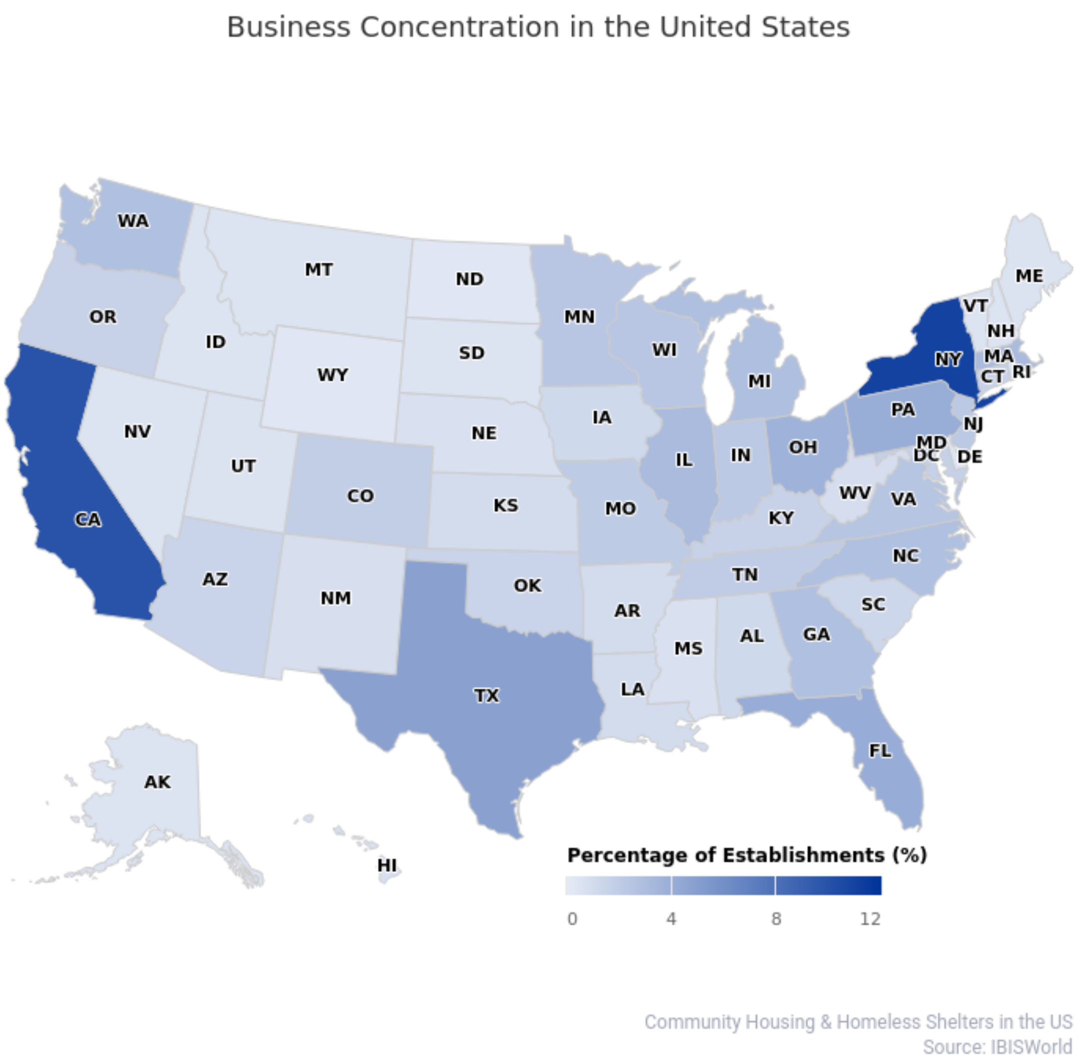
Most of the programs offered by HUD, including public housing and rental assistance programs, are only available to applicants that have incomes substantially lower than the median income of the local area. In particular, HUD operates three major rental assistance programs that collectively provide rental subsidies to an estimated 4.5 million households.

Exports in this industry are ✓ Low and Steady

Imports in this industry are ✓ Low and Steady

Community housing services consists of government-funded programs and private organizations that assist in the provision of emergency, temporary or transitional housing for the domestic population. The Community Housing and Homeless Shelters industry does not export or import any goods or services.

Business Locations



Establishments within the Community Housing and Homeless Shelters industry are primarily concentrated in the Southeast and Mid-Atlantic regions. Collectively, these two regions account for an estimated 42.3% of industry establishments. Industry establishments are concentrated near densely populated areas and areas that have a comparatively low per capita disposable income. If considered on a per capita basis, the Mid-Atlantic region with 15.1% of the national population and 20.4% of industry establishments is the greatest consumer of community housing services. Comparatively, the Southwest, with 12.7% of population the national population and only 8.6% of establishments, has the lowest level of assistance per capita in the United States. Areas of high population density, especially cities, are more likely to have homeless populations, and therefore more likely to have industry establishments. Wyoming, which has the lowest population density in the continental United States, has the lowest percentage of the homeless population and the fewest industry operators.

Southeast

IBISWorld estimates that the Southeast region accounts for 21.9% of industry establishments and 25.7% of the US population. Florida accounts for the greatest portion of the regions industry operators. Florida also has an estimated 31,030 homeless individuals, accounting for 5.6% of the US homeless population, according to the 2019 State of Homelessness.

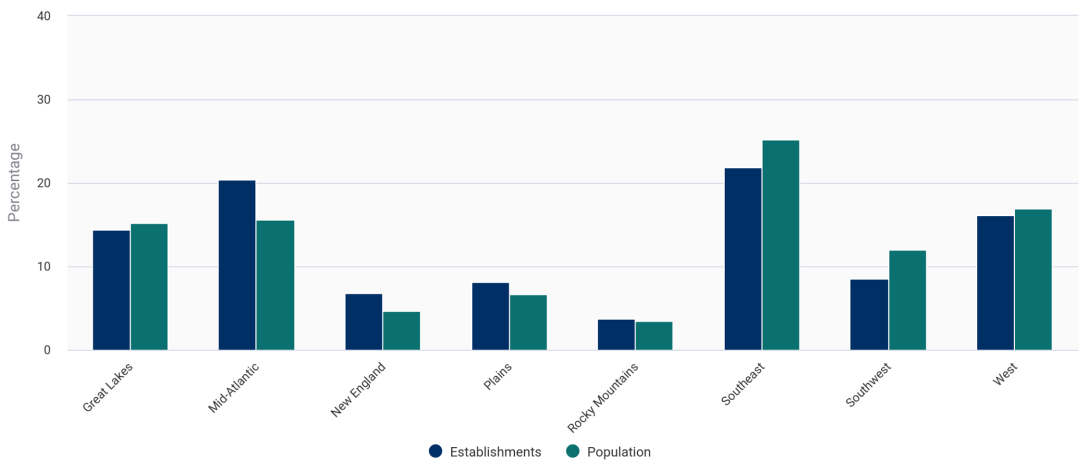
Mid-Atlantic

The Mid-Atlantic region accounts for an estimated 20.4% of industry establishments. With 2.8 establishments per 100,000 people, establishment share is greater than this region's population share, which indicates a higher concentration of operators within the region. Establishments are primarily concentrated in New York, which accounts for 11.0% of total establishments. New York has the second-highest quantity of homeless people, 91,897, accounting for 16.7% of the total US homeless population.

West

IBISWorld estimates that the West region accounts for 16.1% of industry establishments, which falls in line with its population share of 17.2%. California accounts for 9.9% of total establishments, and 12.1% of the population. Subsequently, in California establishment per capita was below the regional and national average. California has the largest share of homeless people in the US, with 129,972 accounting for 23.7% of the US homeless population.

Distribution of Establishments vs Population



Community Housing & Homeless Shelters
Source: IBISWorld

Competitive Landscape

Market Share Concentration

Concentration in this industry is Low

The Community Housing and Homeless Shelters industry is composed primarily by small establishments that service a particular local community. Therefore, the industry is classified as having a low level of concentration. Although funding for this industry is largely controlled by the US Department of Housing and Urban Development, the actual dissemination of community housing services is controlled by local housing authorities and locally based small organizations. An estimated 97.0% of the industry's establishments are nonprofit organizations. As a result, no single organization accounts for more than 5.0% of the market in this highly fragmented industry.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Ability to provide goods/services in diverse locations:
Community housing services need to be provided in a range of diverse locations to meet the needs of local communities.

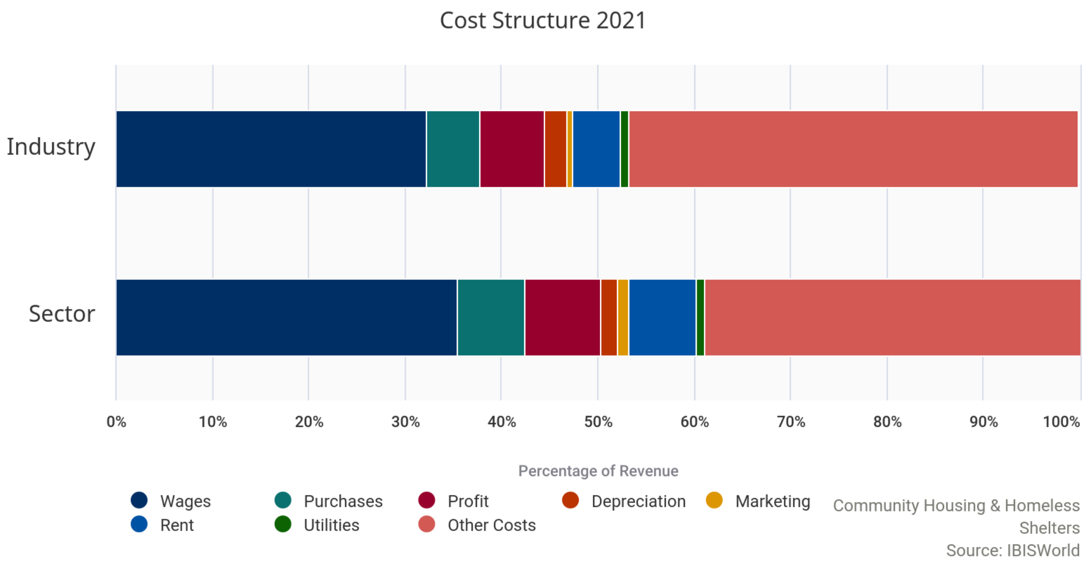
Access to secure revenue:
Long-term planning for housing assistance programs requires access to secure revenue.

Ability to alter goods and services produced in favor of market conditions:
Program administrators need to periodically alter the funding allocations for various housing-assistance programs to best suit those most in need.

Having an integrated operation:
The community-housing network is more efficient if resources are coordinated and integrated to improve logistics and administration.

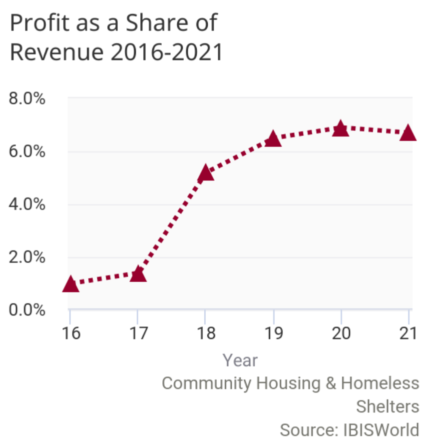
Ability to control size and growth of internal bureaucracy:
The government and policy administrators need to make sure that managerial, accountability and evaluation procedures provide the best value for the money provided for all housing-assistance programs.

Cost Structure Benchmarks



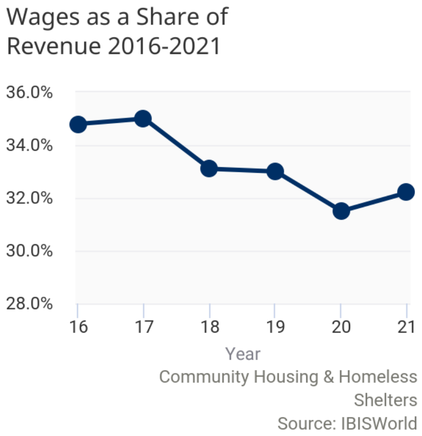
Profit

Profit, measured as earnings before interest and taxes, is not directly applicable to industry operators. Instead, profit is estimated as the difference between total revenue and total expenditures. More than 97.0% of industry operators are nonprofit, which means that any surplus revenue is reinvested into housing services; in 2021, profit for for-profit operators is estimated to account for 6.7% of industry revenue.



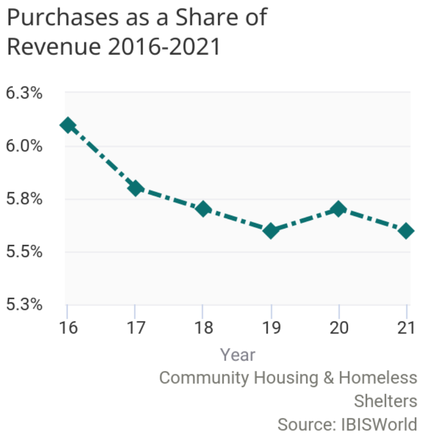
Wages

IBISWorld estimates that industry wages will account for 32.2% of industry revenue in 2021. This industry relies heavily on volunteer labor; however, running a shelter often times requires round the clock staffing, which keeps the industry labor-intensive and the cost share of wages high. Additionally, labor is needed in the construction and maintenance of housing facilities. Wage costs have decreased over the five years to 2021.



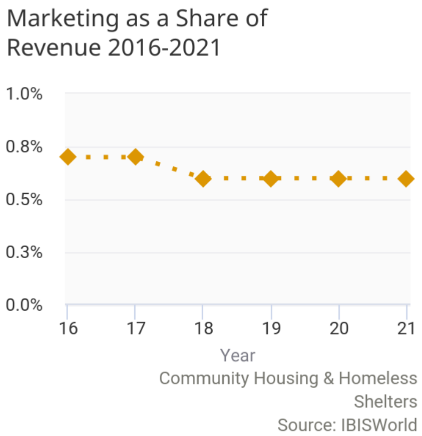
Purchases

In 2021, purchases are expected to account for 5.6% of industry revenue. Purchases vary depending upon the service provided by the organization but often include food and medical supplies.



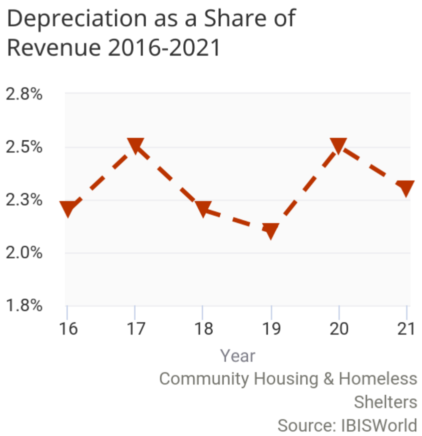
Marketing

Marketing costs for the industry are expected to account for 0.6% of revenue. While the industry does gain most of its funding from federal and state governments, it also relies on private contributions. When an unexpected event, such as a natural disaster like a tornado or hurricane, drains available government funds, industry operators often reach out to private parties using TV advertisements and online marketing techniques. Some shelters also spend a portion of their advertising budget on community outreach in an effort to inform individuals in need about the different assistance programs available.



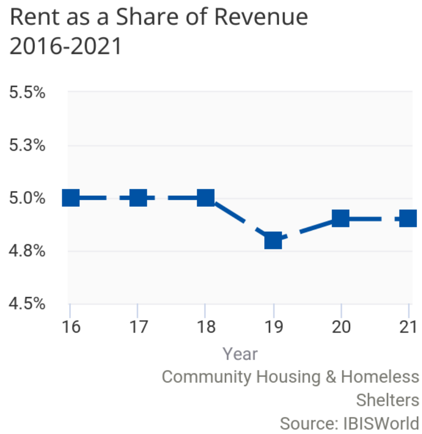
Depreciation

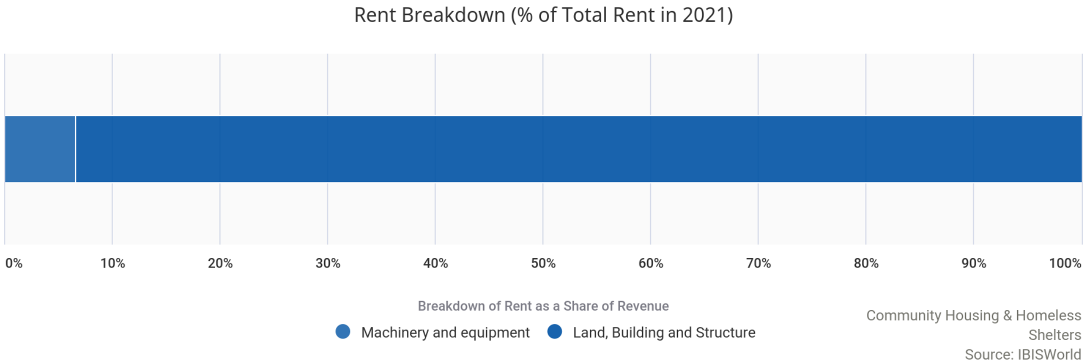
Depreciation expenses are expected to account for 2.3% of industry revenue in 2021. Depreciation, while not a substantial share of revenue when compared with wage costs, is important to the industry because it includes costs associated with the construction of new permanent public housing and repairs on existing projects. Increased demand for industry services over the past five years led to the construction of new community housing and homeless shelter buildings.



Rent

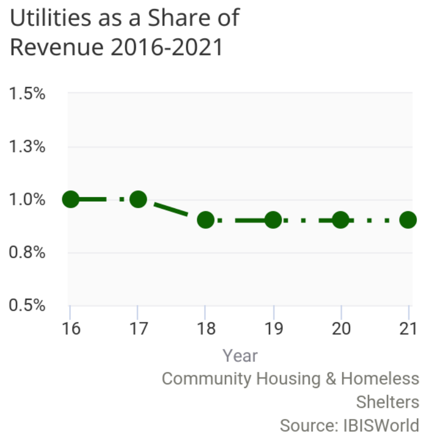
Direct rent payments and land costs are expected to account for 4.9% of industry revenue in 2021. This segment only includes payments for property, and not rental assistance programs.





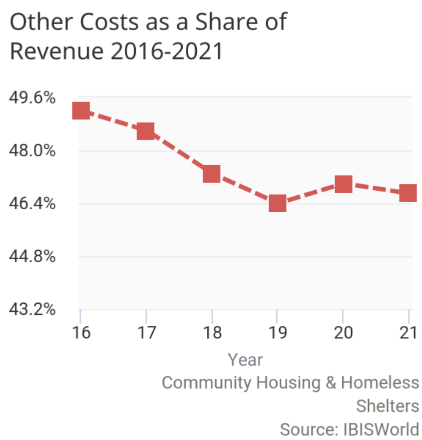
Utilities

The Community Housing and Homeless Shelters industry has moderate utility costs. This segment includes energy and water costs for industry properties. In 2021, utilities are expected to account for 0.9% of industry revenue.

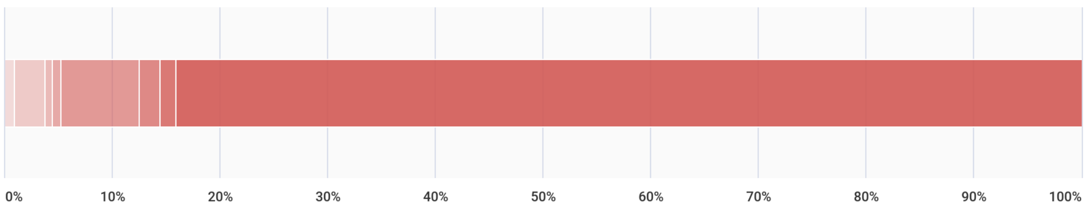


Other Costs

Property maintenance and rental assistance programs are the largest expenses for this industry, accounting for an estimated 46.7% of industry revenue in 2021. According to 2019 budget statements, total rental assistance is estimated to account for an estimated 80.0% of the total budget for the Department of Housing and Urban Development (HUD) through programs such as the Flexible Voucher Program, the Project-Based Rental Assistance and Low-Income Housing Tax Credit. Beyond this, HUD's Homeless Assistance Grants cover rent and utility costs for many community housing and homeless shelters.



Other Breakdown (% of Total Other in 2021)



Basis of Competition

Competition in this industry is Low and the trend is Steady

Competition in the Community Housing and Homeless Shelters industry is low primarily because industry participants operate with the intention to provide aid rather than generate profit.

INTERNAL COMPETITION

This industry is made up of a large number of small organizations that provide temporary shelter and other community housing services, including emergency shelters for victims of domestic violence, sexual assault or child abuse and temporary shelter for the homeless, runaway youths and families in medical crises.

Nearly half of the organizations in this industry are faith based and most provide locally based services, which are tailored to meet local needs. Though local service providers may compete with each other to a limited extent for available funding, they generally work together to provide complementary services.

Industry operators apply for different types of federal and state governments for funding. The selection process or these funds is based on several factors. First, agencies that can provide the greatest amount of housing to the largest number of disadvantaged people for the lowest cost are likely to attract government funding. Next, maintaining a reputation as a service provider with a proven history of successful operations makes funding easier to garner. Then, having access to those who distribute funding, either directly or through a lobbyist, can affect the amount of revenue a specific player can generate. Housing organizations also use skilled fundraising staff to win donations from business groups or the public sector. Organizations that increase donations from outside sources are typically able to provide better services. Many organizations concentrate on local area issues, or require members to live locally to assist in provision of housing. Larger groups often garner higher funding by using a nationwide fundraising infrastructure.

EXTERNAL COMPETITION

Community housing services are provided by both public and private programs; these programs are more likely to be complementary than competitive.

There is no external competition for the Community Housing and Homeless Shelters industry.

Barriers to Entry

Barriers to Entry in this industry are ⚠ Low and the trend is Steady

Access to funding

To address the housing problems of local communities, new service providers need to apply for funding from federal, state or local governments or community organizations. Access to these funds imposes the greatest restriction on entering the market because competition for funds exists. Larger entities are more likely to exploit economies of scale to gain that funding. However, if a new entrant in the Community Housing and Homeless Shelters industry were to offer services to a geographic or demographic area previously uncovered by existing agencies, gaining funding would become considerably easier.

Tax concessions

Access to tax concessions or exemptions for industry participants removes a main obstacle to industry entry, so long as the new entrant intends on establishing a nonprofit enterprise. Most industry organizations meet the specified requirements to qualify as Section 501(c) organization and are exempt from paying taxes. Attaining this tax exemption also means that any donations made to these organizations are tax deductible to the donor. This helps increase the level of contributions both from corporations and private donors.

Barriers to Entry Checklist

Competition	Low ⊘
Concentration	Low ⊘
Life Cycle Stage	Mature ⊖
Technology Change	Low ⊘
Regulation & Policy	Medium ⊖
Industry Assistance	High ⊘

Industry Globalization

Globalization in this industry is ⊘ Low and the trend is Increasing

The Community Housing and Homeless Shelters industry is made up of a large number of locally based organizations that provide temporary shelter and other community housing services to low-income and needy individuals and families. There are no foreign service providers operating in domestic markets.

Major Companies

There are no major players in this industry

Other Companies

The Community Housing and Homeless Shelters industry's services are provided to low-income and needy individuals through a range of both public and private programs. Federal housing programs are run by the US Department of Housing and Urban Development (HUD). In addition, private, nonprofit organizations, local communities and religious organizations provide community housing services for the homeless, runaway youths and victims of abuse. Both private and public nonprofit organizations receive the majority of their funding through a combination of government grants and donations.

US Department of Housing and Urban Development

HUD runs a variety of programs that promote the production and accessibility of affordable housing and assist the homeless in finding some form of shelter. HUD has three major rental assistance programs that collectively provide rental subsidies to an estimated 4.5 million households. These programs are the Flexible Voucher Program, Project-Based Rental Assistance and the Low-Income Housing Tax Credit. HUD's Public Housing program provides public housing under the direct management of the local public housing authorities to low-income families and individuals. HUD distributes the federal funds of the Homeless Assistance Grant through the Continuum of Care Program (CoC), which includes the Supportive Housing Program, Emergency Shelter Program and the Shelter Plus Care program. All these programs trickle money down to the state and local level, funding public and nonprofit community housing and homeless shelter operators.

In 2013, when the sequestration took effect, HUD's budget was cut 5.0% in seven months. As a result, there was a decrease in the amount of available funding for almost all of HUD's programs, as well as an increase in the number of homeless individuals that remained on the streets and in shelters instead of moving up to transitional or Section 8 housing. In 2018, HUD had a budget of $41.2 billion, down from 2017. An estimated 84.0% of this budget was used to renew existing Rental Assistance and Operating Subsidies, fund the needs of public-housing programs and renew the existing Homeless Assistance Grants.

According to the Point-in-Time count provided by the 2019 Annual Homeless Assessment Report, on any given night in 2019, there were 567,715 homeless individuals (latest data available). Since 2007, the AHAR estimates that the homeless population has decreased 11.0% and nearly three-fourths of the overall decrease is attributable to the decline in the number of unsheltered individuals. Thus, while the number of homeless individuals has decreased, the number of individuals in shelters has remained relatively stable, keeping demand high for community housing and homeless shelters. The number of people in shelters has increased less than 1.0% since 2007.

US Department of Veterans Affairs

The US Department of Veterans Affairs (VA) provides a range of housing assistance programs for homeless veterans. Veterans make up an estimated 11.0% of the adult homeless population, with more than 60.0% of veterans residing in shelters or other forms of transitional housing. According to the AHAR, on any given night there are an estimated 50,000 homeless veterans. The VA's specialized homeless veteran treatment programs were first authorized in 1987 and have grown to include outreach, clinical assessment, employment assistance, long-term sheltered transitional assistance and supported permanent housing. The VA has partnered with HUD and the Department of Health and Human Services to support more than 10,000 homeless veterans nationwide. This joint program, called the Veterans Affairs Supportive Housing voucher program, had a budget of $550.0 million in 2018.

The US Department of Agriculture

The US Department of Agriculture (USDA) funds the Rural Development Program, which provides housing assistance through the Rural Housing Service. Housing programs include single-family housing, multifamily housing and community facilities. In rural communities, the USDA provides rental assistance programs, home improvement and repair loans and grants, as well as self-help housing loans to low-income individuals and families.

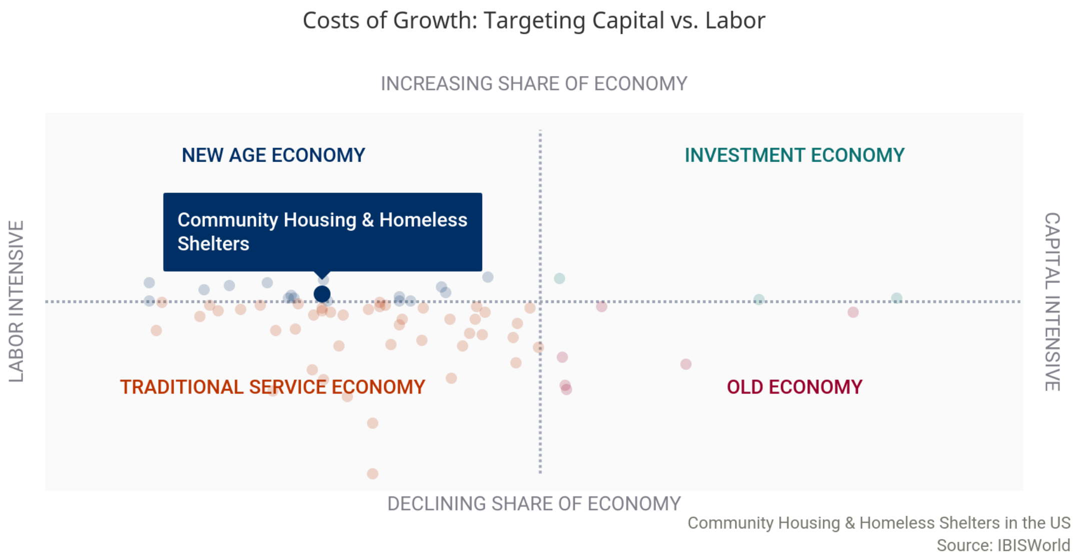
State and local governments

According to the National Alliance to End Homelessness, half of all beds in community housing and homeless shelters are funded by nonfederal dollars. Local government funds are used for a range of housing revitalization and community development activities, job creation and retention, neighborhood revitalization, public services and the renewal of distressed communities. The US Interagency Council on Homelessness has been encouraging the creation of State Interagency Councils on Homelessness and the creation of individual city 10-year plans to end homelessness. Many states and cities have taken the challenge and have implemented a range of solutions to end homelessness within their specific regions.

Private, nonprofit organizations

In addition to the broad range of programs provided by federal, state and local governments, many households are aided by nongovernment providers of community housing services, including larger entities such as the Red Cross of America, United Way Worldwide, the Salvation Army, Volunteers of America and Associated Catholic Charities. These organizations often fund and operate emergency shelters and transitional shelters for the homeless. There are also countless other religious and community organizations that run shelters on the local level.

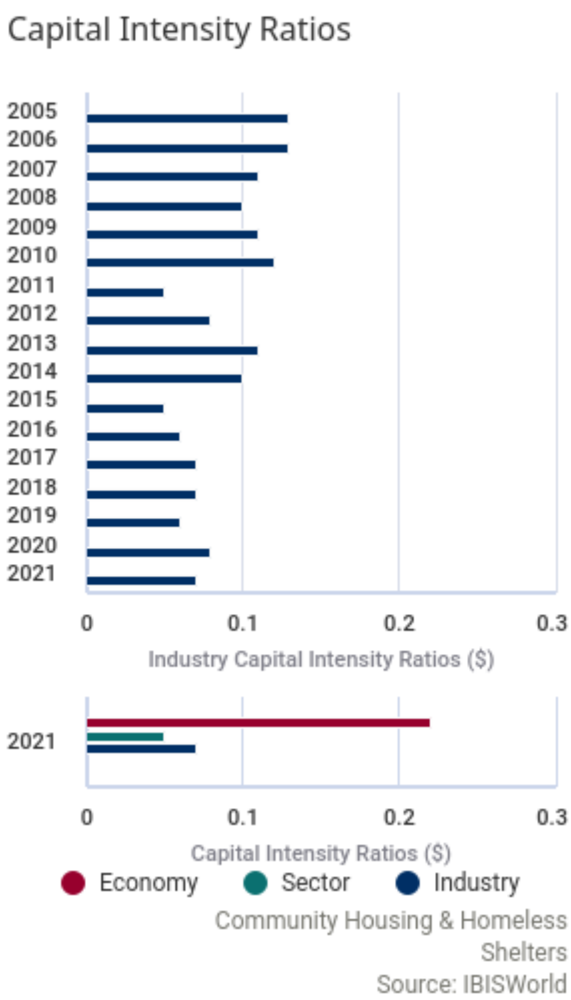
Operating Conditions



Capital Intensity

The level of capital intensity is Low

In 2021, labor is projected to account for 32.2% of revenue for the Community Housing and Homeless Shelters industry, while depreciation is expected to account for 2.3%; this indicates that for every dollar spent on wages, $0.07 is spent on capital investment. Nearly all the capital investment in this industry is spent on housing and buildings. The US Department of Housing and Urban Development funds the construction, maintenance and repair of public housing and subsidized rental housing. Over the five years to 2021, capital intensity has remained steady. Increased demand for industry services as well as the damages caused by natural disasters necessitated new construction in the industry and contributed to the slight increase in capital investments.



Technology & Systems

Potential Disruptive Innovation: Factors Driving Threat of Change

Level	Factor	Disruptive Effect	Description
Low	Rate of Innovation	Unlikely	A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring.
Medium	Innovation Concentration	Potential	A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators.
High	Ease of Entry	Likely	A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use.
High	Rate of Entry	Likely	Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors.
Low	Market Concentration	Unlikely	A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share.

Low levels of innovation limit the threat to incumbent operators from new technologies disrupting their operations. However, a low rate of growth in technology can also create exposure for incumbents as the trajectory of innovation in other markets could lead to unforeseen competitive disadvantages.

This technology trend is underscored by structural factors that support new entrants. An accommodative structure can create a situation where small entrants can focus on less profitable albeit innovative industry entry points. Or, large operators in other industries can leverage expertise in other areas to enter the industry from a new angle.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served my incumbent operators.

Operators in the Communities Housing and Homeless Shelters industry are not exposed to significant technological disruptions because operators provide an essential service that cannot be easily replaced.

Community housing services will always be in demand. Society is bound to encounter short-term emergencies, domestic violence, sexual assault or child abuse situations; furthermore, there will always be a need for temporary residential shelter for the homeless, runaway youths and parents, families caught in medical crises and transitional housing and assisted living for low-income individuals and families. There are no substitutes for industry services. This industry is also skill and labor-intensive; therefore, the introduction of new technology is mostly associated with making day-to-day activities more efficient, which can be adopted across the entire industry. There are not any disruptions that would make the industry irrelevant or replaced by another industry. The industry usually receives government funding; therefore, operators are unlikely to fail due to financial reasons.

The level of technology change is Low

Generally, technology changes slowly in the Community Housing and Homeless Shelters industry.

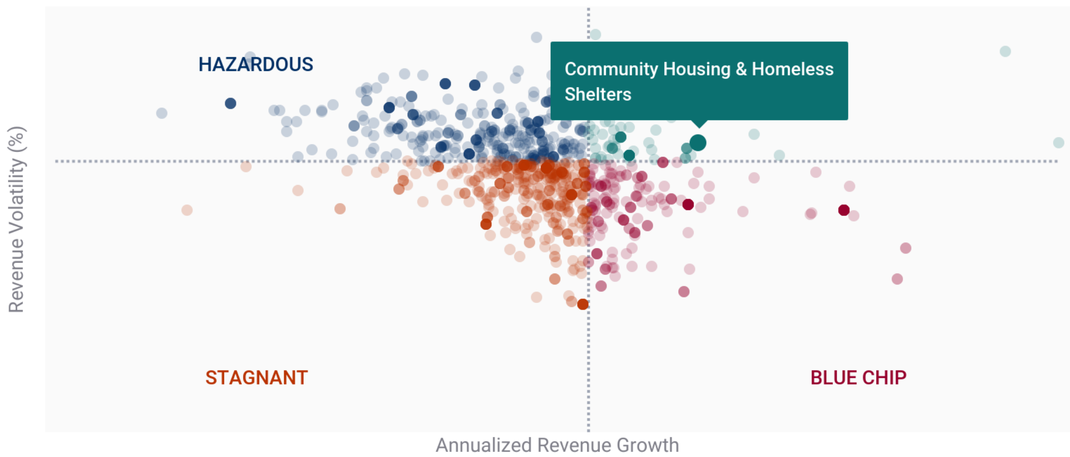
New approaches to combating homelessness include interagency cooperation between the Departments of Housing and Urban Development, Health and Human Services and Veterans Affairs to jointly fund and coordinate the provision of housing, healthcare, mental health and substance abuse services to the chronically homeless.

The technology used in collecting information on the homeless population has shifted in the past 10 years. As a result of a push from academics and policy makers throughout the country, integrated database systems are being used in Community Housing and Homeless Shelters across the country. These systems have given policy makers access to a wealth of information, such as the demographic breakdown of the sheltered population, which has led to the publication of such reports like the Annual Homeless Assessment Report. This wealth of knowledge translates over to more concrete and effective social welfare programs.

Revenue Volatility

The level of volatility is ⚠ High

Volatility vs. Growth



Community Housing & Homeless Shelters
Source: IBISWorld

Revenue for the Community Housing and Homeless Shelters industry is primarily affected by changes in economic and employment growth and changes in government policy and new community initiatives.

Sudden, unexpected catastrophic events that have the capacity to displace or impoverish vast numbers of people cause brief, substantial increases in revenue, which fall in years following such crises. However, a significant increase in revenue in 2020, brought on by increased funding from local governments and a sudden increase in the unemployment rate, is likely to increase volatility. This increased funding is in response to the COVID-19 (coronavirus) pandemic, which without government intervention would significantly impact the homeless population. As a result, the industry has a moderate-to-high level of revenue volatility. Over the five years to 2021, revenue is expected to fluctuate an average 10.9% each year.

Regulation & Policy

The level of regulation is ⊝ Medium and the trend is Steady

As the Community Housing and Homeless Shelters industry largely draws its funding from government sources and deals with issues of social welfare, it is subject to a variety of legislation that outline standards of service and funding details.

The Housing Act, passed in 1937, established the United States Housing Authority and required that the construction of new public housing units be matched by the removal of an equal number of substandard dwellings from the local housing supply.

The Fair Housing Act, included in Title VIII of the Civil Rights Act of 1968, prohibits discrimination in the sale, rental, financing and other related transactions of dwellings based on race, color, national origin, religion, sex, familial status or disability.

The Housing and Community Development Act, passed in 1974, created the Community Development Block Grant (CDBG) program. The CDBG merged seven categorical programs into a block of flexible community development funds distributed each year through a formula that considers population and measures of distress, including poverty,

age of housing, housing overcrowding and growth lag. Grantees now determine what activities they will fund as long as certain requirements are met, including that each activity is eligible and will meet one of the three broad national objectives of the program.

The McKinney-Vento Homeless Assistance Act, first passed in 1987 and continually reauthorized, is charged with organizing federally funded programs to assist the homeless population; these programs included emergency shelter, transitional housing, job training, healthcare, education and in some instances, permanent housing. The McKinney-Vento act outlines the primary source of funding that the department of Housing and Urban Development (HUD) provides for homeless and housing-assistance.

The Americans with Disabilities Act (1990), or Title II, prohibits discrimination based on disability in programs, services and activities provided or made available by public entities. HUD enforces Title II when it relates to state and local public housing, housing assistance and housing referrals.

The Federal Housing Enterprises Financial Safety and Soundness Act, passed in 1992, established the current regulatory structure for government-sponsored enterprises. This legislation divided the federal government's regulatory responsibilities of Fannie Mae and Freddie Mac between the Secretary of HUD and the Director of the Office of Federal Housing Enterprise Oversight.

The Quality Housing and Work Responsibility Act (1998) was part of general welfare and public housing reform initiated by the Clinton administration. This Act attempts to reduce the concentration of poverty in public housing; protect access to housing assistance for the poorest families; support families making the transition from welfare to work; raise performance standards for public housing agencies and reward high performance; transform the public housing stock through new policies and procedures for demolition and replacement and mixed-finance projects; merge and reform the Section 8 certificate and voucher programs and enable public housing agencies to implement a Section 8 homeownership program; and to support HUD management reform through deregulation, streamlining and program consolidation.

Industry Assistance

The level of industry assistance is ⊘ High and the trend is Steady

The Community Housing and Homeless Shelters industry receives a high level of governmental assistance.

The US Department of Housing and Urban Development works with a range of state and local government entities as well as private organizations to provide temporary shelters and other community housing services to individuals and families in need (see the Other Companies section for detailed analysis).

Key Statistics

Industry Data

Year	Revenue ($m)	IVA ($m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Exports ($m)	Imports ($m)	Wages ($m)	Domestic Demand ($m)	Federal funding for social programs ($b)
2012	12,501	5,274	12,456	10,486	127,551	N/A	N/A	4,212	N/A	17.9
2013	12,587	4,988	12,150	10,212	124,967	N/A	N/A	4,081	N/A	17.8
2014	13,096	4,675	12,301	10,340	127,992	N/A	N/A	4,256	N/A	16.7
2015	13,408	5,256	12,371	10,358	130,733	N/A	N/A	4,452	N/A	17.5
2016	13,476	5,124	12,508	10,482	136,864	N/A	N/A	4,692	N/A	17.7
2017	13,943	5,428	12,887	10,620	140,110	N/A	N/A	4,885	N/A	17.6
2018	14,635	5,921	12,505	10,346	137,211	N/A	N/A	4,838	N/A	17.4
2019	14,893	6,197	12,632	10,442	139,365	N/A	N/A	4,916	N/A	17.7
2020	18,186	7,434	13,766	11,286	160,722	N/A	N/A	5,736	N/A	19.7
2021	17,403	7,175	13,682	11,241	157,590	N/A	N/A	5,597	N/A	17.9
2022	16,727	6,952	13,600	11,194	154,721	N/A	N/A	5,472	N/A	17.1
2023	16,181	6,796	13,538	11,161	152,350	N/A	N/A	5,369	N/A	16.7
2024	15,807	6,683	13,510	11,151	150,695	N/A	N/A	5,298	N/A	16.7
2025	15,472	6,572	13,456	11,119	149,018	N/A	N/A	5,228	N/A	16.6
2026	15,211	6,495	13,454	11,129	147,906	N/A	N/A	5,179	N/A	16.6

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Federal funding for social programs (%)
2012	-7.03	-1.49	3.11	2.57	3.34	N/A	N/A	2.97	N/A	-7.26
2013	0.68	-5.44	-2.46	-2.62	-2.03	N/A	N/A	-3.10	N/A	-0.56
2014	4.04	-6.28	1.24	1.25	2.42	N/A	N/A	4.27	N/A	-6.18
2015	2.38	12.4	0.56	0.17	2.14	N/A	N/A	4.60	N/A	4.79
2016	0.50	-2.52	1.10	1.19	4.68	N/A	N/A	5.40	N/A	1.14
2017	3.46	5.94	3.03	1.31	2.37	N/A	N/A	4.09	N/A	-0.57
2018	4.96	9.07	-2.97	-2.59	-2.07	N/A	N/A	-0.95	N/A	-1.14
2019	1.76	4.65	1.01	0.92	1.56	N/A	N/A	1.60	N/A	1.72
2020	22.1	20.0	8.97	8.08	15.3	N/A	N/A	16.7	N/A	11.3
2021	-4.31	-3.50	-0.62	-0.40	-1.95	N/A	N/A	-2.42	N/A	-9.14
2022	-3.89	-3.11	-0.60	-0.42	-1.83	N/A	N/A	-2.24	N/A	-4.47
2023	-3.27	-2.25	-0.46	-0.30	-1.54	N/A	N/A	-1.88	N/A	-2.34
2024	-2.31	-1.66	-0.21	-0.09	-1.09	N/A	N/A	-1.34	N/A	0.00
2025	-2.13	-1.67	-0.40	-0.29	-1.12	N/A	N/A	-1.32	N/A	-0.60
2026	-1.69	-1.18	-0.02	0.08	-0.75	N/A	N/A	-0.94	N/A	0.00

Key Ratios

Year	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/ Revenue (%)	Employees per estab. (Units)	Average Wage ($)
2012	42.2	N/A	N/A	98.0	33.7	10.2	33,019
2013	39.6	N/A	N/A	101	32.4	10.3	32,659
2014	35.7	N/A	N/A	102	32.5	10.4	33,249
2015	39.2	N/A	N/A	103	33.2	10.6	34,052
2016	38.0	N/A	N/A	98.5	34.8	10.9	34,285
2017	38.9	N/A	N/A	99.5	35.0	10.9	34,862
2018	40.5	N/A	N/A	107	33.1	11.0	35,260
2019	41.6	N/A	N/A	107	33.0	11.0	35,274
2020	40.9	N/A	N/A	113	31.5	11.7	35,689
2021	41.2	N/A	N/A	110	32.2	11.5	35,517
2022	41.6	N/A	N/A	108	32.7	11.4	35,368
2023	42.0	N/A	N/A	106	33.2	11.3	35,244
2024	42.3	N/A	N/A	105	33.5	11.2	35,156
2025	42.5	N/A	N/A	104	33.8	11.1	35,084
2026	42.7	N/A	N/A	103	34.1	11.0	35,018

Industry Financial Statement

Industry Multiples	2017	2018	2019	2020	Historical Average 3-Year	5-Year	10-Year
EBIT/Revenue	16.7	17.0	17.3	17.7	17.4	16.4	15.7
EBITDA/Revenue	21.9	22.1	22.1	22.2	22.1	21.3	20.2
Leverage Ratio	4.4	4.4	4.4	4.3	4.4	4.6	4.8
Industry Tax Structure	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Taxes Paid/Revenue	4.4	3.8	4.0	4.1	4.0	4.3	4.5
Income Statement	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Total Revenue	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Business receipts	80.9	80.4	81.4	82.2	81.3	82.8	84.3
Cost of goods	23.0	24.2	24.4	24.6	24.4	25.8	27.4
Gross Profit	77.0	75.8	75.6	75.4	75.6	74.2	72.6
Expenses							
Salaries and wages	19.8	19.5	19.0	18.3	18.9	19.1	19.1
Advertising	4.9	4.6	4.6	4.5	4.6	4.6	4.6
Depreciation	1.7	1.5	1.3	1.2	1.4	1.6	1.3
Depletion	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	3.5	3.6	3.5	3.3	3.4	3.3	3.2
Rent paid	4.3	4.1	3.9	3.8	3.9	4.0	4.0
Repairs	0.9	0.3	0.2	0.1	0.2	0.5	0.7
Bad debts	4.3	3.7	3.5	3.3	3.5	3.5	3.4
Employee benefit programs	1.8	1.8	1.7	1.7	1.7	2.0	2.1
Compensation of officers	0.7	1.0	1.1	1.2	1.1	1.2	1.3
Taxes paid	4.4	3.8	4.0	4.1	4.0	4.3	4.5
Interest Income	1.5	1.0	0.8	0.8	0.9	1.1	1.2
Other Income							
Royalties	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rent Income	0.1	0.1	0.0	0.0	0.0	0.1	0.1
Net Income	8.1	9.3	9.6	10.0	9.6	8.1	7.2
Balance Sheet	**2017**	**2018**	**2019**	**2020**	**3-Year**	**5-Year**	**10-Year**
Assets							
Cash and Equivalents	10.7	9.4	9.7	10.0	9.7	10.0	9.9
Notes and accounts receivable	16.7	16.9	15.4	14.0	15.4	15.8	16.1
Allowance for bad debts	5.5	0.7	0.6	0.6	0.6	2.4	3.7
Inventories	0.8	1.5	1.5	1.4	1.5	1.2	0.9
Other current assets	5.7	4.5	4.6	4.7	4.6	5.0	5.4
Other investments	15.1	13.1	13.0	12.9	13.0	13.9	14.4
Property, Plant and Equipment	48.6	51.1	52.8	54.3	52.7	52.1	52.6
Accumulated depreciation	29.2	30.4	31.2	32.0	31.2	30.6	30.6
Intangible assets (Amortizable)	33.4	31.4	30.8	30.4	30.9	30.5	30.2
Accumulated amortization	5.0	5.3	5.2	5.2	5.3	4.9	4.5
Other assets	5.0	5.4	5.5	5.7	5.5	5.3	5.2
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Accounts payable	5.2	5.6	5.4	5.2	5.4	5.2	4.8
Liabilities and Net Worth							
Mort, notes, and bonds under 1 yr	4.3	6.5	6.0	5.5	6.0	5.4	4.9
Other current liabilities	12.1	11.2	11.3	11.4	11.3	11.6	11.8
Loans from shareholders	3.4	5.0	5.2	5.3	5.2	4.9	4.0
Mort, notes, bonds, 1 yr or more	45.2	38.5	37.6	37.1	37.7	40.5	42.5
Other liabilities	14.3	8.5	8.9	9.3	8.9	10.4	11.5
Total liabilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital stock	3.9	3.9	4.2	4.4	4.2	3.9	3.3
Additional paid-in capital	31.6	33.0	32.4	32.0	32.5	32.3	32.2
Retained earnings, appropriated	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Retained earnings-unappropriated	-14.0	5.8	4.6	3.7	4.7	-2.8	-8.3
Cost of treasury stock	2.8	10.8	10.1	9.5	10.1	7.2	5.1
Net worth	15.5	24.4	25.3	26.0	25.2	22.0	20.4

Liquidity Ratios	2017	2018	2019	2020	3-Year	5-Year	10-Year
Current Ratio	1.8	1.4	1.4	1.4	1.4	1.6	1.7
Quick Ratio	1.8	1.4	1.3	1.3	1.3	1.5	1.7
Sales/Receivables	6.2	6.1	6.7	7.4	6.7	6.6	6.5
Days' Receivables	59.0	59.6	54.2	49.5	54.4	55.6	56.7
Days' Inventory	12.0	21.7	22.0	20.6	21.4	16.6	12.2
Inventory Turnover	30.4	16.8	16.6	17.7	17.1	26.9	37.2
Payables Turnover	4.6	4.5	4.6	4.9	4.7	5.2	6.0
Days' Payables	79.8	81.0	78.6	75.2	78.2	72.8	63.3
Sales/Working Capital	4.7	6.2	7.0	7.9	7.0	6.3	5.6

Coverage Ratios	2017	2018	2019	2020	3-Year	5-Year	10-Year
Interest Coverage	403.9	441.9	466.0	487.5	465.1	419.1	392.8
Debt Service Coverage Ratio	4.6	3.4	0.3	3.4	2.4	3.1	3.0

Leverage Ratios	2017	2018	2019	2020	3-Year	5-Year	10-Year
Fixed Assets/Net Worth	7.6	5.0	4.9	4.8	4.9	5.7	6.0
Debt/Net Worth	6.5	4.1	3.9	3.8	4.0	4.7	5.0
Tangible Net Worth	0.2	0.2	0.3	0.3	0.3	0.2	0.2

Operating Ratios	2017	2018	2019	2020	3-Year	5-Year	10-Year
Return on Net Worth, %	111.8	72.5	70.8	70.6	71.3	79.8	81.3
Return on Assets, %	17.3	17.7	17.9	18.4	18.0	17.0	16.3
Sales/Total Assets	1.0	1.0	1.0	1.0	1.0	1.0	1.0
EBITDA/Revenue	21.9	22.1	22.1	22.2	22.1	21.3	20.2
EBIT/Revenue	16.7	17.0	17.3	17.7	17.4	16.4	15.7

Cash Flow & Debt Service Ratios (% of sales)	2017	2018	2019	2020	3-Year	5-Year	10-Year
Cash from Trading	180.0	56.6	56.6	56.6	56.6	81.3	97.0
Cash after Operations	120.2	40.8	40.8	40.8	40.8	56.7	66.3
Net Cash after Operations	116.5	39.6	39.6	39.6	39.6	55.0	63.2
Debt Service P&I Coverage	121.1	37.2	37.2	37.2	37.2	54.0	52.8
Interest Coverage (Operating Cash)	2.6	1.1	1.1	1.1	1.1	1.4	1.6

Source: IRS SOI Tax Stats; US Census Bureau; IBISWorld

Additional Resources

Additional Resources

Community Housing Network
http://www.communityhousingnetwork.org

US Bureau of Labor Statistics
http://www.bls.gov

US Department of Housing and Urban Development
http://www.hud.gov

National Alliance to End Homelessness
http://www.endhomelessness.org

Industry Jargon

CHRONIC HOMELESS
An unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, or has had at least four episodes of homelessness over the past three years.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)
A government department that works to increase homeownership, support community development and increase access to affordable housing free from discrimination.

DEPARTMENT OF VETERANS AFFAIRS (VA)
A government department that strives to provide excellence in patient care and veterans' benefits.

HEALTH AND HUMAN SERVICES (HHS)
The government's principal agency for protecting the health of all Americans and providing essential human services.

Glossary

BARRIERS TO ENTRY
High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY
Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES
The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND
Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT
The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE
A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT
The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS
Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS

Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA)

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

REGIONS

West | CA, NV, OR, WA, HI, AK
Great Lakes | OH, IN, IL, WI, MI
Mid-Atlantic | NY, NJ, PA, DE, MD
New England | ME, NH, VT, MA, CT, RI
Plains | MN, IA, MO, KS, NE, SD, ND
Rocky Mountains | CO, UT, WY, ID, MT
Southeast | VA, WV, KY, TN, AR, LA, MS, AL, GA, FL, SC, NC
Southwest | OK, TX, NM, AZ

VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

WAGES

The gross total wages and salaries of all employees in the industry.

IBISWorld

WHERE KNOWLEDGE IS POWER

IBISWorld helps you find the industry information you need – fast.

With our trusted research covering thousands of global industries, you'll get a quick and intelligent overview of any industry so you can get up to speed in minutes. In every report, you'll find actionable insights, comprehensive data and in-depth analysis to help you make smarter, faster business decisions. If you're not yet a member of IBISWorld, contact us at 1-800-330-3772 or info@ibisworld.com to learn more.

COMPARABLE IMPROVED SALES

BBG

Sale Comparable #1

Shelter
84-46 Smedley Street
Queens, NY 11435
Queens County
BBG Property #1225141

Property Data			
Improvement Details			
Property Type/Use	**Special Shelter**	Lat/Long	**40.7124 / (73.8128)**
Borough	**Queens**	Neighborhood	**Briarwood**
Tax Account #	**4097360141**	# of Buildings	**1**
Year Built	**2006**	Renovated	**n/a**
Quality	**Average**	Condition	**Average**
Construction Class	**C**	Construction Details	
Gross Building Area (SF)	**39,898**	Rentable Area (SF)	**39,898**
# of Floors	**7**	Floor Area Ratio	**3.31**
Parking	**Surface: 11** **Garage: 0** **Other: 0** **Total: 11**	Parking Ratio	**0.28:1,000 SF (Rentable)** **0.28:1,000 SF (GBA)** **0**
Comments			
Site Details			
Gross Land Area	**12,054 SF / 0.28 Acres**	Land to Building Ratio	**0.30**
Net Land Area	**12,054 SF / 0.28 Acres**	Flood Designation	**X**

Sale Transaction Data			
Transaction Date	**12/21/2021**	Consideration	**$20,250,000**
Sale Status	**Closed**	Adjustments	**$0**
Occupancy at TOS	**100%**	Cash Equivalent Price	**$20,250,000**
Months on Market		Sale Price PSF	**$507.54 PSF GBA** **$507.54 PSF Rentable Area**
Property Rights	**Leased Fee**	Sale Price Per Unit	**$450,000**
Grantor	**SMEDLEY PLAZA, LLC**		
Grantee	**WOODWISE LLC**		
Record Info			
Comments	**100% leased to Urban Resource Institute for 30-year term with NNN lease terms**		
Verification	**Public Record 02/17/2022**		

Financial Attributes - Based on Income In-Place at Time of Sale

	Amount	*PSF*	*Per Unit*
Net Operating Income	**$1,380,966**	**$34.61**	**$30,688**
Overall Rate	**6.82%**		

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Sale Comparable #2

141 West 144th Street
New York, NY 10039
New York County
BBG Property #1304652

Property Data			
Improvement Details			
Property Type/Use	**Special Shelter**	Lat/Long	**40.8208 / (73.9386)**
Tax Account #	**1020130009**	# of Buildings	**1**
Year Built	**1928**	Renovated	**1987**
Quality	**Average**	Condition	**Average**
Construction Class	**B**	Construction Details	
Gross Building Area (SF)	**28,460**	Rentable Area (SF)	**28,460**
# of Floors	**6**	Floor Area Ratio	**4.42**
Parking	**Surface: 0** **Garage: 0** **Other: 0** **Total: 0**	Parking Ratio	**0.00:1,000 SF (Rentable)** **0.00:1,000 SF (GBA)** **0**
Comments			
Site Details			
Gross Land Area	**6,442 SF / 0.15 Acres**	Land to Building Ratio	**0.23**
Net Land Area	**6,442 SF / 0.15 Acres**	Flood Designation	

Sale Transaction Data			
Transaction Date	**12/21/2021**	Consideration	**$23,075,000**
Sale Status	**Closed**	Adjustments	**$0**
Occupancy at TOS	**100%**	Cash Equivalent Price	**$23,075,000**
Months on Market		Sale Price PSF	**$810.79 PSF GBA** **$810.79 PSF Rentable Area**
Property Rights	**Leased Fee**	Sale Price Per Unit	**$384,583**
Grantor	**141 WEST 144TH STREET REALTY CORP.**		
Grantee	**WEST 144TH STREET PROPCO LLC**		
Record Info	**2021000514490**		
Comments			
Verification	**Public Record 02/25/2022**		

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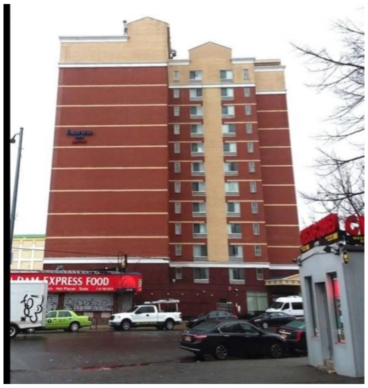
Sale Comparable #3

52nd Street Women's Center
427 West 52nd Street
New York, NY 10019
New York County
BBG Property #1225968

Property Data			
Improvement Details			
Property Type/Use	**Special Shelter**	Lat/Long	**40.7655 / (73.9893)**
Tax Account #	**1010620017**	# of Buildings	**1**
Year Built	**1956**	Renovated	**1987**
Quality	**Average**	Condition	**Average**
Construction Class	**C**	Construction Details	
Gross Building Area (SF)	**35,854**	Rentable Area (SF)	**35,854**
# of Floors	**6**	Floor Area Ratio	**7.17**
Parking	**Surface: 0** **Garage: 0** **Other: 0** **Total: 0**	Parking Ratio	**0.00:1,000 SF (Rentable)** **0.00:1,000 SF (GBA)** **0**
Comments			
Site Details			
Gross Land Area	**5,000 SF / 0.11 Acres**	Land to Building Ratio	**0.14**
Net Land Area	**5,000 SF / 0.11 Acres**	Flood Designation	

Sale Transaction Data			
Transaction Date	**7/9/2021**	Consideration	**$25,200,000**
Sale Status	**Closed**	Adjustments	**$0**
Occupancy at TOS	**100%**	Cash Equivalent Price	**$25,200,000**
Months on Market		Sale Price PSF	**$702.85 PSF GBA** **$702.85 PSF Rentable Area**
Property Rights	**Leased Fee**	Sale Price Per Unit	**$1,200,000**
Grantor	**427-429 WEST 52 LLC**		
Grantee	**427 WEST 52ND PROPCO LLC**		
Record Info			
Comments			
Verification	**Public Record 08/24/2021**		



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Sale Comparable #4

Fairfield Inn (North Star)
52-34 Van Dam Street
Queens, NY 11101
Queens County
BBG Property #917145

Property Data			
Improvement Details			
Property Type/Use	**Special Shelter**	Lat/Long	**40.7362 / (73.9368)**
Tax Account #	**302-6**	# of Buildings	**1**
Year Built	**2007**	Renovated	**n/a**
Quality	**Average**	Condition	**Average**
Construction Class	**B**	Construction Details	
Gross Building Area (SF)	**67,223**	Rentable Area (SF)	**67,223**
# of Units	**154**	Average Unit Size (SF)	**437**
# of Floors	**12**	Floor Area Ratio	**4.87**
Parking	**Surface: 10** **Garage: 0** **Other: 0** **Total: 10**	Parking Ratio	**0.15:1,000 SF (Rentable)** **0.15:1,000 SF (GBA)** **0.06 per unit**
Comments			
Site Details			
Gross Land Area	**13,815 SF / 0.32 Acres**	Land to Building Ratio	**0.21**
Net Land Area	**13,815 SF / 0.32 Acres**	Flood Designation	**X**

Unit Mix Details

Unit Plan	Unit Size SF	Unit Count	Comments
Studio	370	154	
	437 Avg.	154	

Sale Transaction Data			
Transaction Date	**11/16/2018**	Consideration	**$48,300,000**
Sale Status	**Closed**	Adjustments	**$0**
Occupancy at TOS	**100%**	Cash Equivalent Price	**$48,300,000**
Months on Market		Sale Price PSF	**$718.50 PSF GBA** **$718.50 PSF Rentable Area**
Property Rights	**Leased Fee**	Sale Price Per Unit	**$313,636**
Grantor	**Perfect JSK Corp.; Van Dam Hospitality LLC**		
Grantee	**Van Dam Terrace LLC**		
Record Info			
Comments	**This 12-story full service hotel was converted by the purchaser for shelter use prior to the purchase at a cost of $10,000,000, in addition to the purchase price of $36,500,000. An additional cost of $1,800,000 was required to buyout the Marriott brand name.**		
Verification	**Alicia Biggs at Costar via seller and buyer; ACRIS 04/24/2020**		

APPRAISER QUALIFICATIONS AND LICENSES

BBG
REAL ESTATE SERVICES

Jon DiPietra, MAI
Senior Managing Director
Work: 212.682.5360
jdipietra@bbgres.com

Profile

Jon is currently Senior Managing Director of BBG in New York City, offering 20 years of experience analyzing all major property types throughout the Tri-State Area. Developing a specialty in Market Analysis, Jon has built a broad client base and has completed assignments conducted on behalf of foreign and domestic investment firms including major REITS, leading financial institutions, individual investors, leading law firms, and government agencies. He has been admitted as an expert witness in the New York State Supreme Court (NY County) and has prepared numerous assignments in support of litigation.

Jon began his career as an appraiser in 2001. Gaining training and education, Jon joined Neglia Appraisals in Brooklyn as a commercial appraiser. Later, he was an Assistant Vice President at Sovereign Bank, where he served on the management team of the Appraisal Department. Jon joined Leitner Group (now BBG) in 2007.

Continuing his commitment to the professional development of the next generation, Jon serves as Chairman of the Internship Committee of American Immobiliare, a not-for-profit organization based in New York City which provides a forum for professionals in commercial real estate and has served on the Board of the Metro NY Chapter of the Appraisal Institute.

Assignments of note include: 7 World Trade Center, a 52-story Class-A office building; 650 Fifth Avenue, Nike's new global flagship store; Hallett's Point, a seven building, 2.4 million square foot multi-use development, the TSX Broadway (redevelopment of the Doubletree Hotel into mixed-use hotel, retail and entertainment space), boutique hotel assets in New York including Hotel Indigo and NoMo Soho, several developments with Hudson Yards as well as the Nassau Coliseum redevelopment project.

Professional Affiliations

Appraisal Institute
MAI Designation

General Certified Appraiser:
State of New York (License No. 46-46386)
State of Maryland (License No. 33247)
State of Connecticut (License No. RCG.0001527)
State of New Jersey (License No. 42RG00262700)
State of Pennsylvania (License No. GA003588)
State of Massachusetts (License No. NHCG 1045)

Education

The University of Phoenix
Bachelor of Science, Business Finance

UNIQUE ID NUMBER
46000046386

State of New York
Department of State

DOS OFFICE USE ONLY
Control No. 1522991

DIVISION OF LICENSING SERVICES

EFFECTIVE DATE

MO.	DAY	YR.
03	13	20

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE EXECUTIVE LAW AS IT RELATES TO R.E. APPRAISERS.

EXPIRATION DATE

MO.	DAY	YR.
03	12	22

DIPIETRA JON A
C/O JON DIPIETRA APPRAISER
171 68TH ST
BROOKLYN, NY 11220

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A R.E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.

ROSSANA ROSADO
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

BBG
REAL ESTATE SERVICES

Scott Silverman, MAI
Director
Work: 212-682-7788
ssilverman@bbgres.com

Profile

Scott Silverman is a Director at BBG in the New York office. He has professional Real Estate experience in institutional investment management and real estate valuation. Mr. Silverman's investment management experience includes institutional retail and office asset management, portfolio management, acquisitions, dispositions, development, budgeting, leasing and portfolio valuation. Scott's national valuation experience includes fair market value appraisals, fair value financial reporting purchase price allocations, financial analyses, cash flow models, and other real estate consulting services on a wide array of commercial real estate asset classes including multi-family, office, retail, hospitality, industrial, healthcare, mixed-use, land and special-use properties.

Prior to joining BBG, Mr. Silverman was responsible for establishing Great American Group's Real Estate appraisal practice as Senior Associate. Additionally, Mr. Silverman spent time with Clarion Partners as a Financial Analyst and with RSM LLP as a valuation consultant.

In his spare time, Mr. Silverman co-founded a philanthropic Real Estate Networking organization called New York Real Estate Under 30 (NYREu30) to help connect the new generation of Real Estate Professionals while giving back to the community in Manhattan.

Professional Affiliations

Appraisal Institute
MAI Designation

Certified General Appraiser:
State of New York (License No.46-52529)
State of Maryland (License No.33666)
State of Connecticut (License No.RCG.0001592)
State of New Jersey (License No.42RG00270200)
State of Pennsylvania (License No.GA004543)
State of California (License No. 3009168)

Real Estate Board of New York, REBNY, Member
American Bankruptcy Institute, Member
Smeal College of Business Alumni Association, Member

Education

Pennsylvania State University
B.S. Finance, 2015

UNIQUE ID NUMBER
46000052529

State of New York
Department of State
DIVISION OF LICENSING SERVICES

FOR OFFICE USE ONLY
Control No. 1541539

EFFECTIVE DATE

MO.	DAY	YR.
03	29	21

PURSUANT TO THE PROVISIONS OF ARTICLE 6E OF THE
EXECUTIVE LAW AS IT RELATES TO R. E. APPRAISERS.

EXPIRATION DATE

MO.	DAY	YR.
03	28	23

SILVERMAN SCOTT A
C/O BBG INC
112 MADISON AVE
11TH FL
NEW YORK, NY 10016

HAS BEEN DULY CERTIFIED TO TRANSACT BUSINESS AS A
R. E. GENERAL APPRAISER

In Witness Whereof, The Department of State has caused its official seal to be hereunto affixed.

ROSSANA ROSADO
SECRETARY OF STATE

DOS-1098 (Rev. 3/01)

BBG
REAL ESTATE SERVICES

Jonathan Herder
Senior Appraiser
Work: 212-929-7572
Cell: 646-284-7935
jherder@bbgres.com

Profile

Jonathan Herder is a Senior Appraiser at BBG in New York City. Jonathan has extensive experience in commercial real estate, from valuation to investment. Properties appraised include apartment buildings; mixed-use properties; office buildings; retail and industrial properties; vacant land; new development, and special-use real estate.

He has also prepared rent comparability studies for owners of project-based Section 8 housing throughout New England, and has experience working for a litigation-based valuation practice.

Professional Affiliations

General Certified Appraiser:
State of New York (License No. 46000050927)
State of Connecticut (License No. RCG.0001546)
State of New Jersey (License No. 42RG00265900)

Education

B.A. Philosophy, State University of New York at Purchase, NY 1983-1987
Master of Fine Art, Art Center College of Design, Pasadena, CA 1996-1999

ID Number:	46000050927
Name:	HERDER JONATHAN F
Business Name:	WM SHUBERT & CO
Business Address:	34 OLD ROARING BROOK RD
County:	WESTCHESTER
License Type:	CERTIFIED GENERAL REAL ESTATE APPRAISER
Expires:	09/13/2023

[Name Search] [Business Name Search] [ID Search]
[Licensee Search Menu]

INSURABLE VALUE

The opinion of insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

INSURABLE VALUE			
Replacement Cost New (RCN)	**Area (SF)**	**$/SF**	**Subtotal**
Building Improvements			
Base Cost - Apartments	60,129	$165.00	$9,921,285
Base Cost - Hotels	90,559	$153.00	$13,855,527
Sprinklers	150,688	$2.93	$441,516
Subtotal			$24,218,328
Multipliers			
Current Cost		1.200	
Local Area		1.390	
Area Multiplier		1.000	
Story Height		1.000	
Product of Multipliers			x 1.668
Adjusted Base Building Cost			$40,396,171
Less: Insurance Exclusions			
Total Insurance Exclusion Adjustment		10.00%	($4,039,617)
Insurable Value			$36,356,554
Rounded to nearest $1,000,000			**$36,000,000**
Source: Marshall Valuation Service			
Type: Apartments / Hotels	Section: 11	Class: B	